



PHD

The sensemaking of adaptive change: a perspective

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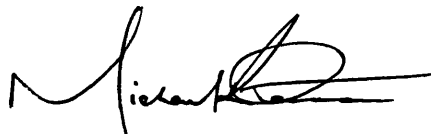
The Sensemaking of Adaptive Change: a Perspective

Submitted by Michael R. Carter for the degree of PhD of the
University of Bath 2001

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A handwritten signature in black ink, appearing to read 'Michael R Carter', with a stylized, flowing script.

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Dedication

This work is dedicated to the many members of the Fire, Paramedic, Police and other rescue services who gave their lives at the World Trade Center, New York City, Tuesday 11th September 2001 when organisational sensemaking broke down in the most tragic of circumstances.

Abstract

This thesis explores the way leadership, in a variety of organisations from the public and private sectors attempts to stimulate and sustain adaptive change.

By conducting research in new empirical settings we try to understand how people who live their working lives within organisations understand their environments at times of change through a process of *sensemaking*, a concept that will form the cornerstone of our work.

We suggest that the creation and transfer of meaning through knowledge, language and symbolic activity by leadership at times of change can be identified as *sensegiving*, an active process that both follows and precedes *sensemaking*. Further more we suggest that attempts to bring about adaptive change in organisations can be enhanced by leaders recognising the value of incorporating *future perfect thinking* and *requisite variety* into the *sensegiving* process.

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A personal note: of boys with books and men with motorcycles

'It is a great pity to read a book too soon in life. The first impression is the one that counts; and if it is a slight one, it may be all that can be hoped for. A later and second perusal may recoil from a surface already hardened by premature contact. Young people should be careful in their reading, as old people in eating their food. They should not eat too much. They should chew it well.'

(Churchill, 1934, p.14)

When the author of this work was an eighteen-year-old motorcyclist and fan of former World Motorcycle Racing Champion Barry Sheene ('Mr Motorcycle' - until he hit the tarmac at Daytona without motorcycle: travelling at 165 M.P.H.), heard about a new book release at W.H.Smith's - *Zen and the Art of Motorcycle Maintenance* (Pirsig, 1974), it was an automatic 'must have'! The book was duly purchased – a great title and one that appeared to fit the times, but it didn't have much about motorcycles or their maintenance in the first couple of chapters and was eventually consigned to the attic.

Twenty-five years later (with twenty-five year old motorcycle gathering dust in the garage!) and three teenage children with whom the odd 'journey' had been experienced, *Zen and the Art of Motorcycle Maintenance* made sense as a metaphor to someone who had done a bit of living. Different then from the first and second sittings when any meaning appeared abstract and even obtuse.

Having returned to the book, it is possible to see how Peters and Waterman (1982) were able to lift 'simple-even beautiful-values' (p.37) from the text. Yet to this author at least it remains a book that takes some understanding *and* some *living*.

For the author, the nine years covered by this work (subject to a gap of two years) seemed, at the time, confusing, disjointed and lacking direction - save the focus of noting the activity of executive groups in what appeared to be periods of change. There was no rigid plan rather a broad direction overlaid by experience. We started out with a symptom of change - the contracting out of staff - and followed a winding path to the process of sensemaking during adaptive change.

Much of the following work is punctuated by references to the theory of *sensemaking* and the writing of Social Psychologist Karl Weick. For the management practitioner/consultant/author of this work - Weick had to be *experienced*; we had to do the walk before we could understand the talk.

Being part of the action, as Churchill (*ibid*) notes 'chewing slowly', was not just the preferred route it was the *only* route to bridging the gap between theory and practice. But then, as Weick would no doubt point out *pointedly*, sensemaking is not to be found in the theory it is to be found in the doing (Weick, 1995).

'...from the perspective of the managers and leaders who sit in the eye of the storm, shaping and being shaped by it'.

(Champy & Nohria, 1996, p263)

Acknowledgements

In keeping with the genre of the *sensemaking* perspective it is difficult to acknowledge the influences that sustained the development of this work; the subtleties of reflection upon action are such that, inevitably, cause is biased towards outcome - the analysis of which is inherently flawed, nevertheless some things we do know:-

Choice of career and changes of career gained me access to leadership in a wide variety of organisations, without the frankness and willingness of people to reveal their uncertainty and difficulties the data contained within this thesis would not have been available, anonymous though they are I am grateful to them all.

The one constant influence in the development of this work has been the presence of Ian Colville; as supervisor he has been a constant source of wisdom, humour and patience for a journey that took longer than was envisaged, was more difficult to relate than realised and undoubtedly tested the endurance of us both. In the course of our travels we have taught, worked and imbibed the odd pint of ale together, these were the places we stopped off on the way, how they mattered I am not certain – that they did matter, I have no doubt - for this and more; thanks Ian.

This thesis was undertaken on a 'part-time' basis, definition of which in the final year of writing occasionally extended to 7 days a week. Inevitably this encroached on time that would otherwise have been spent with family and colleagues, I therefore thank my wife Gail, our children, Matthew, Holly and Lisa, and my friends at Stratagem Consulting for their forbearance. I am also grateful to Teresa for producing multiple drafts at short notice without complaint, we got there - eventually!

Section 1:

Root metaphor: Assembling the easel

Pepper (1942), quoted in Mangham (1978) describes a *root metaphor* in the following terms:-

'A man desiring to understand the world looks about for a clue to its comprehension. He pitches upon some idea of common-sense fact and tries if he cannot understand others areas in terms of this one. The original area then becomes his *basic analogy* or *root metaphor*'.

(pp. 19 – 20)

In the sections that follow we set out our metaphor as one of *art*, more specifically impressionist water-colour painting. This will form a substantial part of our description for displaying; laying out and commenting upon the data and it is, therefore, our root metaphor to which we will return repeatedly.

The context of change

'The Times They Are A-Changin'

For people who have reached 'a certain age' Bob Dylan's anthem for the sixties summed up a context in which the values and attitudes of society underwent a radical re-assessment. Something over thirty years later the times are still changing although now it is more likely to be the launch (or crash!) of a dot.com organisation that takes the headlines rather than shifts in social behaviour.

It is in the changing times of organisational life that we position this work and it is within the process of change in organisations that we focus this work.

For our definition of organisation we agree with the view that they are social constructions within which meaning is created, shared and shared out through social interaction (Cook & Yanow, 1993).

Champy & Nohria (1996) focus on three specific areas that have a strong bearing on organisational change: -

Technology, the speed and ease of communication via the Internet, particularly in 1998 and 1999, that, potentially, re-modelled the selection and buying process for goods and services and changed the definition of 'organisation' that no longer requires a physical 'bricks and mortar' presence to create value and market presence. 'Advances, particularly those in information technology, have made it possible to conceive of new kinds of organizing principles that do not depend on co-location in time or space' (Schein, 1996, p.235).

Government, the trend towards deregulation, privatisation and creation of economic free-trade zones.

Globalisation, the way that advantage is created by locating services or manufacturing in geographic locations best able to provide companies with competitive advantage - British Airways ticketing administered in India, Mercedes-Benz assembling motorcars in South Africa and virtually the whole of the manufacturing process for the British toy industry located in China.

The essence of change was that the principles of classical bureaucracy on which many organisations were founded, and where many managers started their careers, had given rise to 'slow-witted' and 'flat-footed' hierarchies no longer appropriate to the times. The new call was for faster thinking and more nimble organisations (Colville et al 1993), away from strategic planning units sitting above divisional structures to flatter decentralised organisational forms (Mintzberg, 1989). Staffed with people who could be creative *and* focused, managers who could be challenging *and* supportive, leaders who provide vision *and* adapt their organisations to meet shifting contexts, this has become the new anthem.

We are told that the *psychological contract* has changed (Schein, 1988, Rousseau, 1995). No longer can employees expect a predictable working environment that guarantees life-long employment and incremental promotion paid for by loyalty.

'In short, the "new psychological contract" that existed when many of these people were recruited may have been broken.'

(Wooldridge, 1995)

Now we are told that the old deal is off, we need to take ownership of our careers, be prepared to move between organisations and pay for employment by committing ourselves to providing consistently high levels of performance; but what about the people? : -

'It is unlikely that they will be relaxing and thinking how fortunate they are to have survived the latest cuts. More often they will be wondering if they are next in the firing line.'

(Davies, 1995).

Schein (ibid), upped the tempo even more by suggesting that from a macro-economic perspective the people are not top of the priority list for Western societies:-

'The fact that thousands of laid-off employees may be suffering economic depravation as a result of worldwide "downsizing" is only a small problem when the very survival of total organizations and industries is viewed to be at issue.'

(p.235)

At the start of this research it was certainly an environment for which a quote from an American football star John Ellsworth, who played in the NFL for the New York Giants, held resonance.

'It is high impact. You're crashing into each other at full speed. You hope that God will bless you and you will not be injured. You try to put yourself in the best physical condition so that, if you do get hurt, you will heal quickly. I was always taught: everybody's hurt, but not everybody's injured.'

(The Times 5th November 1996)

We started this project by looking at the process of contracting out staff, a particularly profound symptom of change for workers facing the issue of who was 'core' and who was not 'core' to the interests of respective organisations.

This was a period of recession and cutbacks for much of American and European industry at a time when Hammer (1990) was extolling the virtues of radically changing organisations - and the roles of employees - through the concept of

Reengineering. However, as we worked with different organisations, we found that contracting out was merely a clue to the way organisational sensemaking operated.

Organisations, in the main, recognised that to prosper they required change to deliver and meet the expectations of an already changed and more discerning customer. Leaving those defined within the generic term *leadership* to bear the brunt of responsibility for bringing about such changes (Peters, 1978, Quinn 1980). This brought with it other issues as 'the basic beliefs, or mind set, of the strategic actor tend towards stability, and this inhibits the making of strategic choices which are adaptive to new circumstances' (Child, 1997, p.50).

Rather than try to recreate why certain events *had* occurred we set a broad direction of working with executive groups as they sought to adapt to changes in their environment - we watched their problems develop and tried to understand, over a period of time, *what* they were doing – how they made sense of, and for, themselves and their organisations. Much of what we saw, viewed as isolated activities, appeared insignificant, paradoxical and confusing; it was only through observing a series of processes that sense started to take shape.

We cite organisational change but we do not seek to add to the wider discussions on organisational change, we use it as a vehicle for examining the sensemaking process. To this end there is no contrast and compare between the various proponents of techniques for bringing about organisational change Lewin (1947), Kanter (1983), Tichy & Dervanna (1986), Beckhard & Harris (1987), Hammer & Champy (1993), Kotter (1996) et al. Instead we take a typology of change described by Watzlawick et al (1974) as *first-order* change. From this we position the leadership function and discuss how this might be linked to the sensemaking model

at times of change. The active stage, we conclude, being through the creation and *sharing out* of meaning from leadership to the wider organisational community.

Whilst we view the sharing out of meaning as a mixture of symbolism and language in the creation of meaning we demonstrate that when cues and clues are not reflected in the meanings taken it can cause confusion, disruption and even hostility. We also demonstrate that cues and clues can be constructed retrospectively in order to add credibility or coherence to past activity through processes of *requisite variety* and *future perfect thinking*.

Sensemaking: why is it important?

This work is not about Karl Weick, it is about sensemaking during adaptive change, but because Weick provides an important algorithm for sensemaking, he also provides a benchmark and we are bound to take heed of his work.

Sensemaking as we detail below is the social processing of information that makes 'retrospective sense of the situations in which they [people] find themselves and their creations' (Weick, 1995, p.15). This concept is understood by examining one of Weick's favourite aphorisms 'How can I know what I think until I see what I say' and overlaying a sensemaking perspective.

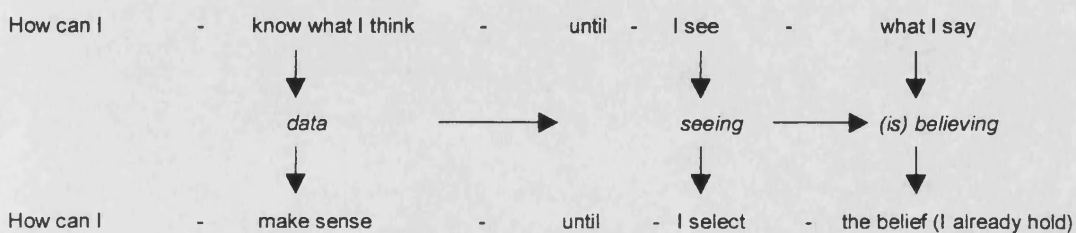


Figure 1.

Told more simply we might better share understanding of this aphorism by reflecting upon the words of the Danish philosopher Kierkegaard (1938):-

‘Life must be lived forward, but understood backwards’

(P. 23)

In this way we start to appreciate the *retrospective* nature of sensemaking; people impose beliefs on given situations after which they ‘see’ what they have already imposed. If people do not ‘see’ they do not believe and this acts as a form of equivocality reduction. Kierkegaard (ibid) suggests that looking forward creates paradox and unqualified choice, whereas action qualifies thought and reflection fixes and makes it concrete. Something that Weick (1999) cites as an important disjunction for theorists and one we shall seek to address:-

‘the gap between living forward with flawed foresight and understanding backward with equally flawed but mischievously seductive hindsight’

(p.134)

Sensemaking is not decision-making but a prior activity that identifies ‘what the decision is really about not what the decision should be’ (Drucker, 1974. p. 467). Its importance is the very fact that it is the matter upon which decisions are predicated and as such the quality of the sensemaking materially affects the quality of the decision-making. It is neither the cause nor the effect of action but the interpretation of the former and the enablement of the latter. If ‘seeing is believing’ it reduces equivocality (receptiveness to variety) and limits the response repertoire of those charged with leadership during adaptive change by limiting belief to existing knowledge and reducing the flexibility needed to respond to new or novel

circumstances. Put another way sensemaking is the basis upon which actors process novel situations; an inherent aspect of adaptive organisational change.

Bate (1990), suggests that skilled change agents recognise adaptive emergent changes, make them more salient, and reframe them. This is the sophistication of the role played by leadership at times of change, to recognise, make sense and reframe so that others may make sense (sensegiving), there can be few organisational activities more important in these times.

What do we seek to add?

Our principle contribution is not to appropriate then apply the sensemaking model outlined by Weick. Given the nature of sensemaking as a low paradigm (Lodahl and Gordon, 1972), that we will explore later, such portability and testing would not be possible as sensemaking exists only as a conversation, an ongoing *retrospective* part of social processing, we can join in the conversation, we can seek to extend it but we cannot appropriate it. This had implications for the research methodology we describe and liken to impressionist water-colour painting. We had to be there prepared to record events – then later make sense – to understand what we had seen by seeing what we had described, remembering that sensemaking is defined by its activity.

This work cites new empirical settings for sensemaking and searches for instances and examples of sensemaking activity by changing locations and settings - much of it in the day-to-day activity of our actors, adding to the stock of sensemaking, and out of that adding to the range and nature of sensemaking conversations that are possible as we seek to extend its philosophy by considering how leadership can use requisite variety and future perfect thinking as aspects of the same process. Words

and activity together constitute sensemaking or to put it in the argot of sensemaking this work not only walks the talk it also talks the walk at the same time and therein lies our thesis.

The telling

In Section 2: *Sensemaking: the school*: we detail the *sensemaking* model and identify some of the opinions of Karl Weick, the guiding light for our work, that set him apart from some others who contribute to this field of study and research. We acknowledge that issues have been raised about Weick's work some of which we seek to address and clarify.

At Section 3: *The how: but not as we know it*: we discuss the difficulties of fitting acceptable methodology *onto* an activity as problem laden [to observe] as sensemaking. In finding an acceptable method of describing the large-scale and small-scale imagery necessary to make a convincing case across a variety of organisations we utilise the analogy of impressionist watercolour painting. We recognise the need for plausibility and complexity and so present our descriptions as a collection of *canvases*, upon which we convey imagery through lightness of touch. However we create a bounded platform from which we limit our analysis by viewing the data from a model that recognises the differences associated with doing research that is general, accurate or simple, we describe this model as our palette from which we are then free to mix colour (or in our case words) within defined limits. Sensemaking becomes the *school* through which we can view different contexts and interactions.

Section 4: *Mixing the palette*: we introduce our case studies and the process of analysis.

Section 5: *The canvases: applying the brush strokes:* these are our case studies. We take different perspectives of the sensemaking process from four organisations: two public and two private. In keeping with our theme of *painting* in detail we use large, bold strokes to depict the macro activity and fine, delicate strokes to depict the micro activity:-

- *Private Banking* : Parvin-May
- *Service*: the Police Force
- *Modernising*: Foreign & Commonwealth Office Services
- *Copyright or Originalright*: EMI Recorded Music

Section 6: *Comparing hue: a search for contrast and sensemaking:* this is the first level of analysis - where we compare and contrast the context of our organisations and then explain why they might be viewed as being of the *school of sensemaking*.

Section 7: *Different 'strokes' for different folks:* here we drill down into the detail of sensemaking and expand the agenda into *leadership* (as a generic term) providing *sensegiving* to organisations. We compare the nature and style of strokes as they are applied to each of our canvases.

Section 8: *Enthinkment/Enactment:* in this section we draw a distinction between sensemaking that results in physical activity as enactment and sensemaking that results in no physical activity – what we shall describe as entthinkment.

Section 9: *Requisite Variety & Future Perfect Thinking:* here we look in detail at two, apparently, seldom-used techniques, available to those practised in the art of sensemaking. We look for examples in the context of our organisations and ponder why such techniques are not more widely utilised.

We go on to consider where this might lead and introduce *Sense dropping*, considering the nature of making sense and adding a twist by combining the concepts of requisite variety and future perfect thinking, thus extending the sensemaking philosophy. We then extend this line of thought by considering the role of leadership in the creation of meaning that is at the heart of organisational sensemaking.

Section 10: *Wiping down the easel: taking stock*: we leave the activity of our organisations to continue without us. We also hint that the techniques commented upon in section 9 may already have followers who have found success in their delivery – the results of which we must seek to paint another day.

Section 2:

Sensemaking: the school

'There is more to sensemaking than Karl Weick, but it wouldn't make much sense without him'

(Colville, 1996, p.152)

What is sensemaking?

Wicker (1992) describes sensemaking as:-

'a response to continually changing events that emanate from both within and beyond the settings that people currently occupy. Sensemaking is a dynamic, cyclical process linking the ecological environment with the psychological processes of attending, acting, interpreting and remembering'

(p.189)

Boland (1984), takes this definition further and specifically positions sensemaking as an interpretation of *prior* activity, 'sense-making assumes management action is a continuous, equivocal stream of experience that can only be understood (or made sense of) when it is viewed in retrospect'. (p. 869).

Ring & Rands (1989), suggest sensemaking is an interpretive framework for understanding confusing data, Waterman (1990) that it is a way to 'structure the unknown' (p. 41). For Louis (1980) 'Sensemaking can be viewed as a recurring cycle comprised of a sequence of events occurring over timediscrepant events or

surprises, trigger a need for explanationfor a process through which interpretations of discrepancies are developed' (p. 241). Feldman (1989) continues this line of thought and positions sensemaking as a method for organisational problem solving by identifying 'what the problems it faces are, and how it should resolve them' (p.19). Prus's (1996) description of sensemaking is 'as meaningful linkaging of symbols and activity, that enables people to come to terms with the ongoing struggle for existence' (p.232).

Weick (1995) says that sensemaking is not a metaphor it literally 'is what it says it is, namely, making something sensible' (p.16). A process made easier by understanding sensemaking as a narrative process: -

'...given mankind's propensity for inductive generalization, noteworthy experiences will often become the empirical basis for rules of thumb, proverbs, and other guides to conduct. Thus, telling stories about remarkable experiences is one of the ways in which people try to make unexpected expectable, hence manageable'

(Robinson, 1981, p.60)

This view is supported by MacIntyre (1981): -

'Man is in his actions and practice, as well as his fictions, essentially a story-telling animal'

(p.201)

Weick tells us that stories are 'units of meaning' (1995, p.131), it is within those units we try and find how such meanings or stories are created and managed.

The model that is Sensemaking

In his 1995 work Weick provides us with a complete review of sensemaking, as he perceives it, by outlining in detail the seven key characteristics of sensemaking (pp.17 – 62).

Sensemaking is understood as a process that is: -

1. Grounded in identity construction
2. Retrospective
3. Enactive of sensible environments
4. Social
5. Ongoing
6. Focused on and by extracted cues
7. Driven by plausibility rather than accuracy

Grounded in identity construction

A real anchor here with the symbolic interaction school of Mead (1956), Blumer (1969) and McCall & Simmons (1978), as Weick unravels the complex nature of identity processing, 'who am I who are the others in this interaction' that he describes as: -

'Identities are constructed out of the process of interaction. To shift among interactions is to shift among definitions of self. Thus the sensemaker is himself or herself an ongoing puzzle undergoing continual redefinition, coincident with presenting some self to others and trying to decide which self is appropriate.'

(p.20)

Retrospective

Weick suggests that Schutz's (1967) analysis of *meaningful lived experience* laid the groundwork for retrospective sensemaking. Which captures 'the reality that people can know what they are doing only after they have done it' (p.24).

'When by my act of reflection, I turn my attention to my living experience, I am no longer taking up my position within the stream of pure duration, I am no longer simply living within that flow. The experiences are apprehended, distinguished, brought into relief, marked out from one another; the experiences which were constituted as phrases within the flow of duration now become objects of attention as constituted experiences. What had first become constituted as a phase now stands out as a full-blown experience, no matter whether the Act of attention is one of reflection or reproduction.....*For the Act of attention* – and this is of major importance for the study of meaning – presupposes an elapsed, passed-away experience – in short, one that is already in the past.'

(Schutz, 1967, p.51)

Weick goes further to argue that 'time exists in two distinct forms, as pure duration and as discrete segments' (p.25). We capture the gist of this by applying it to the processes of adaptive change detailed later in this work. Each takes a snap shot of ongoing organisational activity, but then each snap shot constitutes a series of smaller activities or interactions.

From this view on retrospect Weick concludes that the generation of meaning is an attentional process – of activity in the past, based upon when meaning took place -

and memory. As anything that affects memory also affects the sense made of it this conclusion heightens the importance of a process we later describe as *noticing*.

Enactive of sensible environments

Enactment is a term that Weick uses in order to convey the sense that, in organisational life, people often produce part of the environment they face, 'they act, and in doing so create the materials that become the constraints and opportunities they face' (p.31).

An example of enactment being the discussion on *zero tolerance* that follows in our case study of the Police. It is a concept given meaning by the *enactment* of politicians who promote the activity and police officers who carry it out. Both these phases of the process are *enactments* and it is worth noting that we have not indicated *how* they are carried out. How the concept is promoted or carried out constitutes the *enactment* and from this perspective it becomes easier to envisage that actions can be started, stopped and abandoned – it remains enactment and Weick cautions us to remember that *enactment* is not limited to creation, 'the socially created world becomes a world that constrains actions and orientations' (p.36). The enacted world is tangible because of the meanings we provide.

Social

For some; Leiter (1980), Ring & Rands (1989), Gioia & Chittipeddi (1991), Wicker (1992), sensemaking occurs at both the individual and group levels. However, Weick underlines the problem of perceiving sensemaking in organisations as an individual act and stresses the *social and conversational* aspects of the process; 'sensemaking is grounded in both individual and social activity' (p.6). He reminds us

that 'conduct is contingent upon the conduct of others, whether those others are imagined or physically present' (p.36).

Weick argues cogently here against the notion that sensemaking can in any regard be thought of as a solitary activity. He cites Blumer (1969) in reinforcing his view that a lack of physical presence or face-to-face interaction does not preclude the social influences of sensemaking 'that is the whole point of the phrase *symbolic interaction*' (p.40).

Ongoing

'To understand sensemaking is to be sensitive to the ways in which people chop moments out of continuous flows and extract cues from those moments' (p.43). Weick quotes Langer (1989) in pointing out that the world is continuous and dynamic, yet we keep resorting to absolute categories that ignore large parts of continuity. It is an important moment for us to reflect here that we position a series of adaptive changes within four organisations. For each of these we provide an artificial start and finish, whereas, in keeping with the basis of ongoing activity, we might better describe our narratives as descriptions of 'flows of actions and wordspunctuated by events' (p.45). In our case such *events* being the processes we will describe later.

Focused on and by extracted cues

Weick suggests that it is *too* easy for people who study sensemaking to identify the phenomenon, and that what is seen is more likely to be sense that has already been made rather than the making of it. He suggests that researchers need to watch how people deal with prolonged puzzles, paradoxes and dilemmas. The elusiveness and

speed of sensemaking means that we need to be at the point of activity *and* be attuned to the ways in which people notice and extract cues or otherwise reflect upon sensemaking that has already happened rather than the process of sensemaking.

Our own work started by paying attention to the phenomenon of *contracting out*. With the benefit of hindsight it is easy to see how the allure of the artefact (the result of sensemaking, in this case *contracting out*) can mask the process of sensemaking. From this perspective it becomes more difficult to justify second-hand accounts of events retold through the sensemaking model as this becomes an interpretation of an interpretation. In our own case we followed the ethnographic principles of gathering first-hand data – this led us to research what happened in organisations faced with novel adaptive change and this led us to overlay theory onto data not data onto theory, which seems the weakness of working with second-hand data in the sensemaking field.

Driven by plausibility rather than accuracy

A number of analogies and references are used here by Weick to convey the concept that sensemaking is about actors putting together plausible constructs that enable them to make sense of what has happened around them with sufficient certainty that they are able to respond to stimuli. In so doing he majors on the fact that accuracy is secondary to plausibility. There is a link here with the postulate of Schutz (1971) for whom the sharing of knowledge as a shared social activity need only be 'of a *sufficient* coherence, clarity and consistency to give anybody a reasonable chance of understanding' (p.95)

Weick goes further and suggests that it is only necessary for the reasoning to fit the facts; it does not need to be accurate. To illustrate this point he refers to the tale of a young lieutenant in the Hungarian army who sent a detachment of soldiers into the Alps. They got lost but returned three days later and explained that one of them had found a map in his pocket which enabled them to discover their bearings. When the lieutenant looked at the map it was of the Pyrenees not the Alps. They were animated by confidence or the plausibility of the map (that acted somewhat as a touchstone) rather than the accuracy of the map (Weick, 1995. p.121).

Refining the philosophy of sensemaking

The accepted view appears to be that the roots of sensemaking are to be found in a hybrid of the social constructionists; Burger, Luckmann, Schutz and interpretive interactionists; James and Mead (Boland,1984). Weick, himself, is somewhat dismissive of attempts to discern the theoretical antecedents of sensemaking and engage in arguments over its origins preferring instead a view that it is the role of theory to fit action, not action to fit theory; he holds that those who study sensemaking 'oscillate ontologically because that is what helps them understand the actions of people in everyday life' (1995, p.35). This stance echoes Child (1997), 'while different theoretical perspectives or paradigms may be irreconcilable in their own philosophical terms, when applied to the study of organizational phenomena they are not necessarily incommensurable' (p.44).

For us ontological overlap, or contradiction, is secondary to grasping a fleeting insight into the activity of our actors and if that means we use the notion of sensemaking as a 'broad church', tolerant of multiple interpretations within an overriding set of principles; it does nothing more than reflect the apparent ambiguity and confusion of our actors as they use whatever tools come to hand to make sense of their world.

'Ontology and epistemology were woven together out of cognitive necessity (Weick, 2001, p.ix).

'In the next decade, the most important new sense-making tools will be those that help people visualize and stimulate'
(Saffo, 1997, p28)

In the earlier work Weick (1995) quotes the work of Lodahl and Gordon (1972) in enumerating the seven levels of paradigm development across scientific fields; in ascending order these being: political science, sociology, psychology, economics, biology, chemistry and physics. He positions sensemaking as existing within a low paradigm and advises us that the paradigm is preserved in the exemplars – often in the form of representative anecdotes.

The problem, of course, in operating within a low paradigm is that we are always going to be faced with ambiguity and questions that cannot be bottomed out, a situation caught by Geertz (1973) and retold as the experience of working with the concept of culture by Bate (1994):-

'There is an Indian story – at least I heard it as an Indian story – about an Englishman who, having been told that the rest of the world rested on a platform which rested on the back of an elephant which rested in turn on the back of a turtle, asked....what did the turtle rest on? Another turtle. And that turtle? Ah Sahib, after that it is turtles all the way down'.

(Geertz, 1973, p.29)

As with the experience with understanding culture; observers of sensemaking who seek the rigor of a higher paradigm to explain its origins and processing may just have to live with the ambiguity that sometimes it is turtles all the way down.

Whilst we draw heavily upon the sensemaking model described by Weick (1995) we also recognise that his work is not without issue, questions have been raised about his model and descriptions of its processing.

Wicker (1992) draws a comparison between Weick's (1979) earlier work and that of Barker (1987) in that Weick's scheme was intended to explain the functioning of organisations, rather than the social groupings in which they take place (behaviour settings in Wicker's terms). A point that Weick concedes himself 'what was *missing* in the original study is much appreciation of the social, interpersonal, multiple actor quality of coordinated activity that characterizes most task performance' (2001, p. x). Context, for Wicker, is taken as being the larger social/physical environment within which such activity takes place (p.169).

If such criticism of Weick's (1979) work *The Social Psychology of Organizing* was valid then much was done to redress the balance with the model developed for *Sensemaking in Organizations* (Weick, 1995). Indeed the shift in polarity addresses Wicker's concerns and extends the theory into the flux of complex social interaction. Kilduff (1996) describes this shift thus:-

'whereas the earlier books [1969,1979] were Weick's attempts to formulate his own approach to organizing processes among people, in the new book [1995] Weick constrains himself to surveying, summarizing, listing

quoting, juxtaposing, illustrating, compiling, collecting and accumulating'

(p. 246)

A graphic example being provided in the introduction to *Sensemaking in Organizations* (pp. 1–16) and the description of the way in which the theory of the battered child syndrome (BCS) was established. The syndrome was dated back to 1946 when a paediatric radiologist, John Caffey, wrote an article based on six cases where parents gave 'histories' that did not include how injuries, identified through X-rays, had occurred. Despite this report and several others in the 1950s awareness only changed when in 1961 when a panel entitled 'The Battered Child Syndrome' sat at the American Academy of Pediatrics to review 749 reported cases. By 1976 with enhanced reporting processes in place the reported number of incidents had risen to 500,000.

This was an ongoing series of actions (children being assaulted), identified in retrospect, support for which was gained by social interaction. Weick positions BCS as an example of sensemaking because it involves identity, retrospect, enactment, social contact, ongoing events, cues and plausibility, seven properties that we have just detailed.

Kilduff (ibid), however, then raises the next issue:-

'Despite Weick's own innovative use of the battered child syndrome to illustrate sensemaking, and despite his own well-established preference for studies of cognition-producing behaviour, he is able to find few examples from the published research of a vital sensemaking process that derives from or effects our daily lives. And yet this is

precisely the claim that sensemaking scholars implicitly make.'

(p.247)

In this work we offer our own contribution to ameliorating the problem identified by Kilduff through citing case studies from the lives of actors within public and private sector organisations grounded in the rituals of their daily lives - devoid of major calamities; e.g. the large canvases upon which Weick tends to paint his examples of sensemaking: the Bhopal chemical leak, (1988), Tenerife air crash (1990) or Mann Gulch fire (1993).

There is also an issue with Weick for the practitioner. He utilises simple cues and messages, but, in his desire to extend the boundaries of our conceptual understanding, simplicity tends to be shrouded in complex indexing that the experienced may find 'brilliantly sustained' (Mangham, 1995 p. 27) but for others can be both difficult to teach and understand. 'Weick has important things to say to managers but he does need translating' (Colville, 1994, p. 220), a task undertaken in large measure by Peters and Waterman (1982) in their defining work: *In Search of Excellence*. We believe that Weick has messages that can inform the practitioner and theorist; in this work we try and knit the two together in a way that makes sense for both; not only do we walk the talk, we talk the walk, we will see if it is a talk done well.

Van Maanen (1995), states that the purpose of theorising is to provide maps; the theory of sensemaking is part of a map of change that enables academics and practitioners to navigate through organisational processing and understand better how actors make sense of their world. The problem with change is that you never know where you are until get there, however, understanding sensemaking helps travellers understand *how* they got there. Whilst our work is grounded in simple

actions they are simple actions that we link to sensemaking and from which we will seek to draw learning by visiting new places.

Weick uses the map analogy to synthesise the sensemaking model into organisational activity as we have seen from his tale of soldiers being lost in the Alps (p.24).

'Strategic plans are a lot like maps. They animate and orientate people. Once people begin to act (enactment), they generate tangible outcomes (cues) in some context (social), and this helps them discover (retrospect) what is occurring (ongoing), what needs to be explained (plausibility), and what should be done next (identity enhancement). Managers keep forgetting that it is what they do, not what they plan, that explains their success.'

(Weick, 1995, p.55)

When Weick likens maps to strategic plans we need to emphasise that he is not saying that maps are similar in direct function to strategic plans but that they are similar in indirect function – both serve to provide 'an excuse for people to act, learn and create meaning' (Weick, 2001, p. 311)

Starbuck (1993) takes a similar theme emphasising that it is what managers do rather than what they plan that explains their success. It is this notion of 'the doing of managing' (Mangham & Pye 1991) that we feel to be of consequence and it is this area of *action* that we have positioned our research. We reflect activity against the sensemaking model largely as described in Weick (1995) and draw down extensively from the theory of his earlier work (1969 & 1979), adding our own twist to explore sensemaking during times of adaptive change by highlighting other aspects of the sensemaking arena; *requisite variety* (a method of treating complex environments

with equally complicated processing) and *future perfect thinking* (viewing future activities as though they had already occurred).

In his earlier (1979) work *The Social Psychology of Organizing* Weick concern was to formulate his own approach to organising processes among people (Kilduff, 1996). In this text Weick simplifies the sensemaking process into a clear model: -

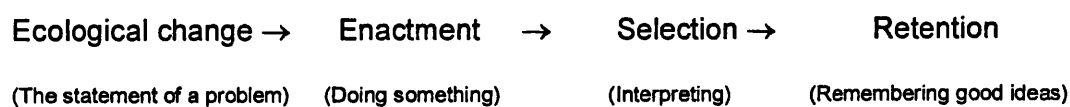


Figure 2.

Figure 2 above represents Weick's Enactment Selection Retention (ESR) sensemaking framework, he suggests that outcomes can be modelled after it, however, then he ponders what the sensitive manager might say; 'Go ahead and do what we've decided, *but* it may not be the whole story, so be open to the possibility that our conclusion right now is incorrect' (p.260). Essentially we are drawn to conclude that the world may not be what we thought it was, we may not have all the information necessary to make a correct choice and maybe success is not always built on previous success. In this way the organisation or a part of the organisation may operate in the following manner: -

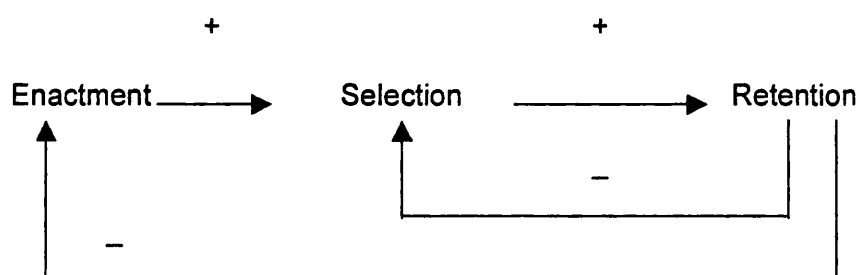


Figure 3.

Weick describes this process as *discrediting*, or the introduction of randomising to improve the adaptability of organising. The problem for organisations is that they prefer order and stability (based upon past success) and in Weick's terms this means they tend to prefer plans to maps in the belief that life can be linear and predictable.

If sensemaking only occurs when the normal flow of social activity is recognised, through discrepant cues (Weick, 1995), organisations become vulnerable to changes in their environment when the ground on which they base their selection shifts unnoticed as 'people who select interpretations for present enactments usually see in the present what they've seen before' (Weick, 1979, p. 201). A view shared by Fischhoff (1980) 'While the past entertains, ennobles, and expands quite readily, it enlightens only with delicate coaxing' (p. 335).

Having concluded early on that the sensemaking model literally *made sense* of the data we had started to collect, we were able to focus on key aspects. Firstly we needed to regard sensemaking as an interpretation of symbols or cues and memory/history as a series of previously interpreted symbols or cues. This enabled us to focus on the process of sensemaking; we knew where to look and from our data we were able to identify a profusion of contradictions, unforeseen outcomes and frustrated actors. We had to be careful at this point for as Weick (2001) points out 'symbols carry only partial information that needs to be verified by other means' (p. 449) and so, having confirmed the basic tenets of the sensemaking process by watching it at work, we then had to ask the question 'but what does this mean for organising and leadership that is doing its best to make sense of an unpredictable world?' We had to return to the field in order to drill down and confirm our initial impressions and then consider linking the data to theory that could inform practice.

Starbuck & Milliken (1988, a) describe the causal sequence whereby good and bad outcomes inform retrospective explanations that are often flawed by over determinism:-

'Because retrospective analyses oversimplify the connections between behaviours and outcomes, prescriptions derived from retrospective understanding may not help executives who are living amid current events.'

(p.36)

They are suggesting that retrospective explanations of past events encourage academics to overstate the contributions of executives and the benefits of accurate perceptions or careful analyses. This became an area where we strove to shed some light through use and extension of the sensemaking model by watching the unfolding of events over long periods of time. We had, for practical purposes, to call a halt to our data collection but experience taught us events that appeared easy to categorise and trace to their origins often revealed influence that appeared absent upon first or second reading. If we were to make sense for the academic and practitioner we had to start with the practical common sense activities of our actors, reflect and abstract that activity through the sensemaking model (we will describe this later as common sense of a higher order) and return it to the practical common sense of the practitioner, it is to the way this journey was undertaken we now turn.

Section 3:

The how: but not as we know it

'...science is rooted in what I have just called the whole apparatus of common sense thought. That is the *datum* from which it starts, and to which it must recur.....You may polish up common sense, you may contradict it in detail, you may surprise it. But ultimately your whole task is to satisfy it.'

(Whithead, 1929, p. 110 quoted
in Heider, 1958, p.6)

Bate (1994) warns us against the dangers of determining a beginning or an end to organisational processes when discussing organisational change in these post modern days; yet we tell stories based upon the principle of a beginning, a middle and an end – though not necessarily in that order! In our introduction we have shaped the ambiguity of our beginning, later we talk about the bit in the middle and finally the point at which we step out of the stream [of events] – which is as close to an ending as we feel comfortable making.

Convention may demand that we submit to the scrutiny of detailing how we gathered our story together and attempted to make sense of it – an interesting point in its own right as Weick would no doubt say that we are enacting our own demands and our own rigour – interesting... but not for today. We therefore lay bare the ambiguity that is the *how* we detailed our story.

The purpose of this section is to:-

- illustrate the settings of sensemaking that we have chosen
- relate the journey that we took
- detail the philosophical and practical difficulties that we encountered
- advance the analogy of impressionist watercolour painting as an appropriate metaphor through which to detail our case studies
- explain the means of analysis
- set out our proposition for extending current theory

In 1991 the author was – and still is - employed as a business consultant working across a wide variety of disciplines and organisations with access to high level decision-making groups. It was at this time, whilst working for IBM, that 'contracting out' took our interest. An application was made and accepted to research this phenomenon for a Ph.D. and we started to gather data from host organisations in the private sector: IBM, Sainsbury's, Norwich Union and others.

The process conformed to the methodology advocated by Glaser's (1992) approach to grounded theory, in which the researcher engages the subject without pre-existing ideas or frameworks. After a year of gathering data in piles of tapes and notes the dryness and limited appeal of the work kicked in and it became apparent that 'contracting out' was the detritus of another process, the leftovers of prior activity. Painfully numbing though it was for those who lost their employment, it was not for us. This, together with business, family commitments and flagging interest, resulted in the project being abandoned.

In 1994, with the benefit of some gentle coaxing from the author's supervisor Ian Colville, more than one or two pints of fine ale and any number of stimulating conversations (Colville looking aghast at the general deportment of corporate guests in the hospitality suite at Bath Rugby Ground and enquiring of them 'what do you do, why – how does that work? Then responding in kind, but with disarming frankness - me? I'm a friend of Mike's I'm only here for the free beer and food') we set off again.

We set off this time looking for *how* events happened not *what* events happened, more interested in how the journey developed rather than where we were going. 'Sensemaking is about continuation, journeys rather than destinations' (Weick, 2001, p.176). Data was gathered but with a distinct difference – the search was on for further examples of organisational surprise, shock, confusion and disturbance that had led us to *contracting out* in the first place as the *principal focus*, the output being of secondary importance and indeed evidence that we were too late in the process.

Crucially it was also decided not to overstate the position as researcher but rather to retain the primary role as business consultant and when activity took our interest to consider extending the remit into a more ethnographic role in order to follow through the processing of the activity that we had noted. Schein (1987) distinguishes ethnographic and clinical methodologies as distinct methods of inquiry each of which involves different forms of: initiation (client led in the case of consultant and researcher led in the case of ethnographer), access (consulting tends to be on behalf of more powerful actors able to grant wide ranging movement, ethnographers tend to get what they are given) and knowledge of what is really going on (consultants get the backstage issues because they are paid to help by understanding cause and effect, ethnographers are more often than not *presented* with front stage activity which may or may not reflect reality). Schein summarises the key difference thus:

'It is easier for the clinician [consultant] with access at the top to learn what the impact of high-level decisions is at the lower levels than it is for ethnographers who see life in the middle or at the bottom of an organization to infer and decipher what decisions may have been made at the top that led to what they observe'

(p.44)

For the majority of the time we occupied the role of consultant but celebrated the access this gave us rather made excuses for it, naturally this raised ethical issues that we comment upon later in this section it also meant that when we wanted to move into more detailed inquiry we had to adopt the ethnographic role and seek the usual permissions. Access was easily obtained although - as we detail later – it was not always fruitful. Rather than occupy either consultant or ethnographer role as detailed by Schein (ibid) our method of inquiry was situated in more of a twilight zone of mainly consultant and partly ethnographer.

In this way we went back to the field a little more certain of our intent. Whilst one search was on another commenced and this time it was to consider a framework through which to consider our data – this led us to the *sensemaking* perspective that appeared to fit the data.

Having walked around with the sensemaking model taking root in our consciousness, as a principal tool of analysis our methodology swung closer to Corbin's (1990) approach to research, which allows for the use of existing theory to guide the data collection. In reality this entailed being 'live' to opportunities and then – when spotted – following their trail. This could lead to the researcher being thought of as being *too* close to the action and the data being *too* live. To counter this argument (and maybe it is one we are having with ourselves) we see *sensemaking* akin to spotting smoke

on the horizon, by the time you get to the source what you actually saw has drifted out of sight or dispersed, to be replaced by something else – but not the same. *Sensemaking* - as a process - really is something that needs to be identified at source if the richness of the process is to be appreciated *and* experienced. We mixed our focus of sensemaking from the referent of closeness and touch to the referent of distance and context – the individuals at work to organisations at work.

A contradiction of terms?

'Organizational theorists bite off too little too precisely
and we've tried to encourage them to tackle bigger
slices of reality'

(Weick, 1979, p.234).

Denzin (1994) describes 'thin description' as 'simply the reporting of facts, independent of intentions or circumstances' (p.505). 'Thick description' on the other hand 'states the intentions and meanings that organized the experience' (ibid). The work we carried out here attempted to embrace the thoughts of Weick (above) without spreading ourselves too thinly or too thickly! For us the importance of our work was to know the lives of those we describe in sufficient detail that we can confirm in a *plausible* way, from a sensemaking perspective, what is going on – in order to be able to put 'in place a set of ideas and ways of seeing that may generate additional findings and different styles of finding' (Weick, 1979, p.234). In so doing we are acutely aware that ours is *an* (not the only) understanding of events (Czarniawska-Joerges, 1997). Again we emphasise that we are seeking a *plausible* link between the models of sensemaking and our own thoughts enabling the agenda to be taken seriously *and* forward rather than attempting to prove the theory of sensemaking. As such we agree with Guba (1990), that reality can be approximated but never fully

apprehended. This gives our audience something of a problem as identified by Mintzberg (1973):

'....the reader is asked to show great faith in his [the researcher's] honesty and reliabilityCan we be sure that the researcher captures all parts of the job, or just what interests him or catches his attention?'

(p.191)

On Mintzberg's first point we agree, some faith, or at the very least suspension of disbelief, is required in order to engage the research - but this is the case with all research even of a high paradigm (Robbins & Johnston, 1976, Collins & Pinch, 1982). On his second point we do not recognise this as being a weakness. We were interested in behaviours that caught our attention, i.e. they informed the sensemaking process which, after all is a low paradigm, not it should be emphasised, as a form of tokenism but certainly where interpretation and data could happily co-exist; 'a bricolage, a complex, dense, reflexive, collage like creation that represents the researcher's images, understandings, and interpretations of the world' (Denzin & Lincoln, 1994, p.3).

In the knowledge that the coherence of our case stands or falls by the fragile nature of its resonance with our audience, we felt it important to note at the onset (above) the distance we have travelled from a traditional research route. Before we go into the process of gathering and *fit* it into [or up] established referents we need to add a further issue. The data was gathered live, that is to say, it was information gathered in the course of routine organisational activity. It only became data when we called it data – we, and only we, enacted that process, and, as we have seen, enactment is the result of sensemaking – it happens after the event. This caused us problems – not least of which being the attempt to seek permission from our actors to gather

information or more accurately to classify information already gathered (in the course of consulting) as data.

We had a difficult proposition to sell if we were to tell the 'whole truth' as we discovered with a police chief superintendent on one occasion:-

'Have you seen any yet?'

'Seen any what?'

'Sensemaking'

'I am not sure how to answer that'

'I can its all a load of bloody nonsense if you ask me'

The problem with sensemaking is that not only is it hard to see [in process], because it is *too* obvious, it is difficult to *explain*, because it is *too* simple – something akin to an 'in joke' that involves some kind of unmasking, illumination or short-cut to understanding, but only if you are *in* can you *share* the joke. The plausibility of sensemaking being regarded as *nonsense*, as a research topic to the field being all too apparent, yet within this dilemma much of our work dwells. Schutz (1964) differentiates common sense and infers what Munroe (1955) describes as common sense of a high order. To the chief superintendent our interest fell outside of his pragmatic ready-made constructs for understanding action (common sense), we were aiming to explain the structure of the social world (or at least a small part of it) for which reason may also be taken for granted (again common-sense but of a high order). The notion of sensemaking may be simple but this does not make it simplistic, neither does it make it easy to explain for as Wittgenstein (1968) warns us the things that are most important for us are hidden *because* of their simplicity and familiarity.

In the event the deliberate research trawls (as ethnographer) were the least productive and resulted in [our opinion] the least informative data. It was, invariably, unexpected moments that took us by surprise when the most illuminating material was gathered. Hardly the stuff of high paradigm research – but very real and this is our point it was not our role to create activity but to be there, record and reflect.

As a consequence, data was gathered over a six year period, from a variety of public and private organisations with the following levels of commitment and knowledge of the actors: -

- No knowledge – we were there for business purposes, research would not have been tolerated
- Implicit knowledge – we were associated with a research project and individuals realised that some activity was noted for 'other purposes'
- Explicit organisation knowledge – but 'do not tell them [the actors]'
- Explicit organisation and individual knowledge

Overlaid upon this is equal diversity in the commitment to publication that ranged from (effectively) 'publish and be damned' (the Police), to 'lock it up and throw away the key' (we cannot quote the source - that was the other demand!).

So intertwined was the data that we have had to face an initial dilemma namely the ethical issue caught well by Punch '...how *honest* do you actually have to be about your research purpose?' (1994, p.80). Would access have been allowed anyway? Would the interviews have been as wide ranging? Could time have been spent within the organisations observing normal business activity? Would these organisations/actors have permitted some of the information that was gained to be

used, even in an unpublished Ph.D. thesis? The answers being yes, maybe and no in equal measure.

One of the high street retailers, as a matter of standard business practice, levied a charge on other organisations for just quoting their name. The bureaucratic swamp of negotiations necessary to fulfil the researchers requirements and the control safeguards for many of the research sites would have consigned the research to the 'too hard to do pile' - for as Punch also puts it 'divulging one's identity and research purpose to all and sundry - will kill many a project stone dead' (ibid p.90). This may be a cop out but it is also fact. In the event we have gone with what we have and built in the safeguard of changing the names of the individuals, one small organisation and restricting access to this thesis for three years. Not a perfect solution but one that we could live with. We crossed and re-crossed the boundaries of research and practice to the point that the stories we tell are as much about us – the researchers - as about our actors, we were there together, if further comfort is needed we find it with Weick (1995): -

'Research and practice in sensemaking needs to begin with a mindset to look for sensemaking, a willingness to use one's own life as data, and a search for those outcroppings and ideas that fascinate'

(p. 191)

Our use of the personal pronoun *we* rather than *I* is worthy of further clarification. At the beginning of this thesis we described the journey taken by the author, however, this was not a journey travelled alone, it involved others and it evolved through others. The purpose of using *we* is so as not to disassociate ourselves from what has been a social activity, whether that be the direct support of the project supervisor, discussions with the actors – or indeed discussions *within* ourselves. At one level, we

therefore lay claim to the literal interpretation of working with and through others in the generation of this work at another level we acknowledge Mead et al of the symbolic interactionist school that within social settings we are determiners of and are determined by the actions of others.

Van Maanen (1988) takes the view that we engenders distance from data: 'a studied neutrality' (p.47), whereas I engenders closeness to data, in another life the author was a serving police officer well attuned to the presenting of evidence where I was used as a clinical disassociation of self from others intended to protect evidence from anecdotes and hearsay. We have no such desires, neither are we bound by the rules of evidence; the pronoun suits our purpose and intent just fine.

In the end we understand the underlying principle that the researcher has a responsibility to both actors and audience alike. For which Glaser and Strauss (1974) counsel the researcher to 'sort his values and obligations and weigh them repeatedly' (p. 61). We weighed them *heavily* and repeatedly.

In the 'real world' (wherever that may be) sitting around organisations waiting for something to happen is not likely to create any great understanding or opportunity especially if, when asked 'what is it you are hoping to identify' all you can say is - 'I'll know it when I see it'. Our first task was to understand the organisations that we visited – to be able to share and be in their jokes, dress the part, talk the part but not go native. We then attuned ourselves to the sounds of gathering sensemaking action, some were more obvious – large scale organisational change, others were more subtle requiring a careful and informed eye to the horizon but often it was a case of being in the right place at the wrong time (unless you like surprises) and having a 'tool kit' ready to go.

The tool kit

We started with the data and returned to the data, we started with common sense and we returned to common sense. We immersed ourselves in, and grounded our perspective from, first-hand data (Glaser & Strauss, 1967). However, we were always aware that we straddled the divide of participator *in* and observer *of* our host organisations' activities (Spradley, 1980). The problem for us being that it was only after the event – (and sometimes a long-time after the event at that) – we knew whether we were participant or observer or both. Again, here we turn to sensemaking 'How can I know what I value until I see where I walk?' (Weick, 1995, p.183).

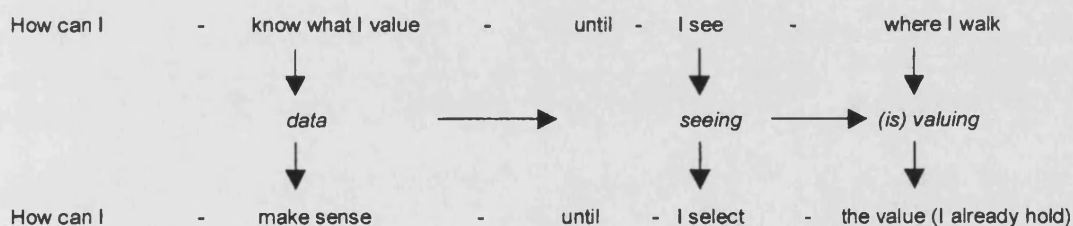


Figure 4.

In Kierkegaard's (op cit) terms how could we place a specific value and reference on action until we looked back (however imperfectly) and set it alongside what we deemed to be other examples of sensemaking activity.

Whilst in our case studies imagery is applied quickly we had realised, at the time, this would only be possible from protracted periods of observation from which small vignettes could be seen to be representative of the context, otherwise our

presentation of sensemaking would become a caricature providing nothing more than distorted imagery. For good order and discipline (i.e. we learnt from our mistakes) note taking was prolific, and habit forming but also a strain; listening to content but detailing interpretations of process – how is the respondent taking meaning, what information are they drawing upon, what sense are they making?

We have relied heavily upon the data collected by one researcher and recognise the consequential issues of objectivity. Whilst vulnerable to such a question we mitigate in our own defence. Ideally we would have worked with the full cross-referencing of a dual-researcher (Glaser & Strauss, 1967). Two key problems emanate here, firstly, as we have discussed already, we did not know when *it* was going to happen. Secondly, even if we had, access would have been limited to the sites where the actors were fully engaged with the research and there were not many of those, once again Schien's (1987) point that access is easier for the consultant than the ethnographer is relevant.

As compensation the following points are worthy of note. Colville (1985, 1989) had already researched extensively into the Police and whilst not the insider/outsider method proposed by Evered & Louis (1981), Bartunek & Louis (1996) we identified (rather unkindly, or so he claimed!) a fellow consultant, working for the Foreign Office, a former senior civil servant, who stood accused of 'going native' (by his own words not out of his own words). As suggested by Bartunek & Louis (ibid), he was a person who tended to attribute workplace problems to organisational arrangements rather than to the actions of the people themselves, this was fine as it made us qualify our thinking and forestalled us from taking activity for granted (in a perverse way we did not take for granted issues we knew he had).

Context building took place through the face to face interviewing of staff, the collection and assimilation of published material, press coverage, access to electronic mail messaging, event planning and delivery, observation of board meetings and training programmes. The minimum period of time we had contact with any of the organisations cited here being 3 years – the longest being 5 years. Whilst these periods could not be described as pure immersion time, considerable, dense, contact time was spent with all the organisations to the point that significant social and business contacts were established - and still endure - with many of our actors.

Analysis

In developing our understanding of the organisations we worked within we set our data against a first level of analysis based upon Pettigrew's (1985a) contextualist model of organisational change, divided into the categories of context, process, and outcome (detailed fully in section 6).

Pettigrew (ibid) makes the point that given the types of problems and kinds of questions asked by qualitative researchers are, by their nature, likely to be more indefinite it is unreasonable to expect them to conform to the procedures adopted by researchers engaged with quantitative approaches. Nevertheless, this does not absolve the qualitative researcher from the responsibility of trying to describe what they have done (p.286).

Use of the Pettigrew model allows us to address the point made by Weick (1995, 2001), and Mintzberg (1989) that diagnosis of a system has to take account of the environment in which it operates, a duality that creates and limits meaning.

Having determined the broad outlines of context for our case study organisations we then take the notion of adaptive change (one designed to bring about a specific organisational change and outcome) to ask: 'How does sensemaking appear to operate in these very different sites during times of adaptive change and how might the concept of sensemaking better inform the decision-making of our actors?'

In order to break into this cycle we separate out sensemaking and define it within the constraints of adaptive change – not routine activity. To assist with this process we start Weick's (1979,1995) model of sensemaking and then extend it into the enhancement of an active process described by Gioia & Chittipeddi (1991) as *sensegiving* – the point where leadership can attempt to exert influence upon an organisation. Sensegiving for us is broken down into: *knowledge, symbols and language*. We identify characteristics of these qualities in each of the organisations as they impact upon the adaptive change process. We then add a further level of analysis by viewing the adaptive change process through the concepts of *future perfect thinking* and *requisite variety* in order to clarify the ways in which our actors have shaped the *sensegiving* phase.

We add to the philosophy of sensemaking by suggesting that whilst meeting equivocality with equivocality (requisite variety) is an important processing function of good sensemaking that may appeal to an expansionist perspective, future perfect thinking (a method of refining activity into probable outcomes by planning from the future) may appeal to a reductionist perspective. Our contention will be that the two are not, necessarily, mutually exclusive. Taken together they can aid the sensemaking and sensegiving process at times of adaptive change.

Presentation: Art but not for arts sake.

Our methodology was one of qualitative research but one that was 'sensitive to the value of the multimethod approach' (Denzin & Lincoln, p.4) so that nothing was dismissed for want of strict adherence to 'the cannons of rigor' (Glaser & Strauss, 1967, p.224) of a single methodology, rather the various data were stored for later consideration. Whilst we would assert our claim to the generation of theory from the data we cannot claim that it had been 'systematically gathered and analyzed' (Strauss & Corbin, 1994, p.273), we gathered but seldom did we do so with a stated outcome in mind. How could we when much of what has caused us to synthesise data into theory has been rooted in the notation of 'boring little stories' (Schank & Abelson, 1977) across a wide range of organisations, many of which only made sense once we had revisited them in the light of information gathered elsewhere.

At mid point of this research we had recognised the difficulty of describing activity from our case studies in a manner capable of sustaining the need for both context and complexity. We had seen, and wanted to say a lot yet we had to narrow the information down to providing context and complexity where necessary, *and* give impetus to adding to the sensemaking model. Whilst the description might be simple it would also need to be capable of sustaining scrutiny without compromise to the notion of superficiality. For this reason the medium had to be convincing and enduring.

We liken our delivery style to that found in impressionist watercolour painting where the artist attempts to deliver an *interpretation* of ongoing activity to his audience.

Van Maanen (1988), contrasts the ethnographic styles of realist and impressionist presentation of data. He comments that the realist will distance him or herself from

the activity of the actors in order to gain some form of critical or objective distance between the data and author of the narrative. The impressionist, on the other hand, conveys a highly personalised perspective of everyday scenes the skill (using the metaphor of art) being to enable the audience to see what the artist sees (p.101).

It is not our intention to debate, at length, management as art – but, if management can be enacted as a form of *art* then we contend the *possibility* of it being depicted in an artistic way and there is some support for both positions: -

Chester Barnard noted, in discussing management, that:

‘The terms pertinent to it are ‘feeling,’ ‘judgement,’ ‘sense,’ ‘proportion,’ ‘balance,’ ‘appropriateness,’ It is a matter of art rather than science.’

(1938/1968 p.235)

We would merely liken Barnard's comments to those applicable to the evaluation of a performance where empathy for the orientation of the subject has more to do with creativity than wholly objective analysis. If Barnard regards management as an art form Morgan (1986) takes the interpretation as an art form, ‘Effective managers and professionals in all walks of life.....have to become skilled in the art of ‘reading’ the situations that they are attempting to organise or manage’ (P.11). And closer still to where we are heading; Denzin (1994) ‘I call making *sense* (italics added) of what has been learned *the art of interpretation*’ (p. 500). The art we hope to use is that of processing and displaying the content of our observations. ‘There is real artistry and imagination in creating and telling a story’ (Mangham & Pye op cit p.124). Here, the researcher is seen as finessing interpretation with the audience seen as part of a collaborative process, that is, we provide the story but we may ask our audience to provide the imagination and extend the plausibility. Who, whilst not necessarily in

accord with the interpretation, are at least offered the opportunity of exploring their own meanings.

'[Krieger] paints that history with the loving brush of one who knew the culture, was part of it, and wants to describe it in a way that neither destroys the uniqueness of the radio station, demeans the lives involved in it nor compromises the standards of a professional social scientist. It is not an easy task.'

(March, 1992, p.9)

Krieger uses 'thick description' in her detailed account of the rise and fall (and rise again) of a San Francisco radio station in the late 1960's and early 1970's. Yet, by her account, reduced an 800 page doctoral dissertation down to a 300-page textbook that tells a series of stories within a story. March offers further comment; 'without artifice and pseudonym, it tells a story; and it tells it well' (p.9). In releasing the text Krieger has, in an art form, created an abstract capable of multiple audience interpretations all of which can make sense without the need for inducted conclusions.

Krieger paints a very large single canvas, we choose to paint a series of small canvases by providing *plausible* accounts of activity, emphasising the perspective of sensemaking. Plausibility accentuated through the extension of our analogy into watercolour painting. In the style of Weick we particularise not generalise (Van Maanen, 1995) sensemaking by drawing attention to the repeated phenomenon in shifting contexts.

'I feel that the artist's job is to get the essence of the scene, cutting out superficial detail and putting down on paper a distillation to transmit to the audience, be it a morning mist on the river or a hot, sunny, cafe scene. This

actually means taking the audience into partnership, treating them like intelligent people and letting them use some of their own imagination too.....To me, that is impressionism in watercolour.'

(Ranson 1984)

A description somewhat removed then from what Leonard (1977) describes as a 'zeal for description' (p.3) where detail is detailed for the sake of detail.

Of the mediums available to artists the most demanding is that of watercolour; a technique with which there is very little room for mistakes. The translucent nature of the imagery gives one opportunity to engage activity in a convincing manner or throw the canvas away. Oils and acrylics are very much more forgiving; make a mistake-cover it over (as x-rays of many of the great masters works have shown). Our parallel here is that we do not rely upon multiple indexing and cross-referencing to hammer the point. Rather ours is a form of impressionism to be found in the whole, not in the detail.

Ranson's comments as artist are given further expression by those of Meredith as social scientist in a poem quoted in Weick (1995): -

'Language, the dark-haired woman said once, is like water-color, it blots easily, you've got to know what you're after, and get it on quickly.'

(p.197)

As a framework for viewing life we would suggest that the metaphor works. It enables each canvas to represent individual studies that can be imbued with contrast through subtle combinations of tone and hue. We take further note of Meredith who goes on

to warn us not to allow our contrasts to run together they 'must not be allowed to. They're what you see with. Keep your word-hoard dry' (ibid)

As we look from one canvas to the next it is the relationship of subject to context that holds the interest of the audience, if the impressionist's view of the world is convincing his speed will allow us to absorb greater volume. If the audience takes the time to stop and look their experience should be enriched by significance rather than impoverished by superficiality. This is not to say that our canvases can be arranged in sequential transactions of sensemaking, there are gaps between the canvases that merit explanation but as Weick (1995) points out, 'it may be the very existence of the gaps between exemplars in a paradigm that enables people to build a consensus around it' (p.120).

Taken as a whole, prior to analysis, our efforts resemble a *collage* of colour and imagery and yet – 'this lies in the nature of every interpretation - but it also reveals relatively unprocessed fragments that might give an intimation of the original whole' (Czarniawska-Joerges, 1992, p. 5). It is within these 'unprocessed fragments' - the taken for granted - that we hope to discover form in the manner of sensemaking and the extension of sensemaking into sensegiving.

In utilising the metaphor we will ask our audience to work with and trust us. We may make mistakes but honest brush strokes that attempt to convey meaning and context to organisational situations to which we, and we alone, for that moment in time, have been present.

Rory makes the point: 'In a mature science, the words in which the investigator "writes up" his results should be as few and as transparent as possible' (1992, p.94) yet, for us at least fewer words may make for better sensemaking. The lighter the

touch the more transparent the message. For us the message is very much about the meaning rather than the detail. It is from this frame of reference that we present our collection of canvases in the school of sensemaking each of which is used to illustrate rather than argue different facets of the theory.

Watzlawick et al (1974) inform us that *methodology* is the philosophical study of the plurality of methods applied to various disciplines. It *always* has to do with the activity of acquiring knowledge and differs from *method* which is the specification of the steps which must be taken in a given order to achieve a given end. In presenting our thesis we have had to acknowledge the limitations and trade offs necessary to sustain (ultimately) the grounded nature of common sense and yet demonstrate how we acquired knowledge through different events across different timescales.

Sensemaking – understood as a narrative process helps us to understand the restraints of timescales, for whilst it is difficult to determine where action starts and where it ends we know that the sensemaking process reduces action into intelligible pieces, the narrative process spans allotted time, tamper with time and you tamper with the meaning and the action becomes something else. As we paint in the detail we do so according to the allotted time of the action we witnessed, not according to time expanded or truncated to meet the needs of research convention.

Why do we concentrate on providing rich background to the police yet focus on detailed foreground activity at Parvin-May? Because that is what we saw – this was the symbolic representation of Lautrec (strictly speaking a sub-impressionist) sitting with his easel at the Moulin Rouge, he painted subjects that took his interest, he gave an impressionist view of ongoing action as it unfolded, in the allotted time the action took place. To have asked a dancer to stop and pose would have altered the meaning of the action and his work. As we have already indicated we realise that

ours is but one set of views capable of multiple descriptions, however we set up our easel and the perspective is set by the combination of time, action, good fortune, associated meaning and the limitations of our impressionist ability depicted through the narrative process.

One of the most difficult skills for an artist to master is that of perspective, the theory is not so difficult it is a matter of understanding geometry and the principle of 'vanishing points'. Execution, however, is a different matter entirely as the theory remains the same but the perspective alters according to elevation and distance. The unique quality Lautrec brought to his subject matter was considerably enhanced by his unusual perspective – he was of dwarf stature and painted activity taking place, in the main, above himself!

Weick & Quinn (1999), Weick (2001), remind us that taking a view of any system is a matter of first setting a perspective (p. 386) or distance from the subject matter under inquiry, there is an optimum distance that must be taken from the subject in order to achieve a desired view. If we are very close we may see great detail but within a limited range of subject matter, if we are far away we may see a wide range of subject matter but discern little detail. We have set out our work as a collection of scenes that we will seek to analyse from within the school of sensemaking. In order to achieve this we need to use words as colours yet also indicate a bounded perspective identifiable within the school that is neither too far away from nor too close to the subject to make sense.

General, accurate & simple

Geertz (1973), suggests that a rule for theory building should be 'not to generalize across cases but to generalize within them' (p.10). For us, given the methodology we

outline here, there had to be some trade offs, a position for which Thorngate (1976) invokes the postulate of commensurate complexity which says that it is impossible for a theory of social behaviour to be simultaneously general, accurate and simple. You can have any two at one time but you sacrifice the third.

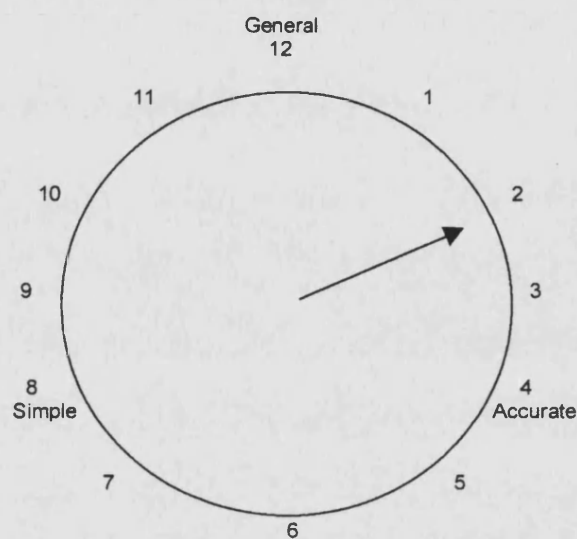


Figure 5.

Weick (1979) takes this concept and depicts it as a clock face (above) that he calls the GAS model. In this model it is possible to work through the postulate and understand the research dilemma inherent in trying to secure any two of the qualities; generality, accuracy or simplicity that automatically excludes the third. The example shown indicates research at the 2 o'clock position that is both general and accurate, the trade off being that it cannot also be simple. Weick's definition for 2 o'clock inquiry being multiple results being explained by minimum behaviour or intentional over determination. Six o'clock inquiry, on the other hand, being simple and accurate is case specific, therefore not general and best suited to context driven case studies. Finally, inquiry that is simple and general but not accurate is to be found at the 10 o'clock position, this is best understood through concepts that are not detailed or

accurate such as 'loose coupling' (Weick, 1979), 'eight stage [change] process' (Kotter, 1996), 'stick to the knitting' (Peters & Waterman, 1982) and 'doing more with less' (Kanter, 1989).

If one sets out to collect data in a specific way then not only are we determining which position we wish to take on the GAS model but also how close to the data we are going to get e.g. do we ignore anecdotal evidence in favour of directly reported conversations. Taken as a unit of research our own offering contains elements of inquiry that is general, accurate and simple, it is only when we seek to interpret discrete sets of action that the different positions on the clock face become relevant. This is the point at which the GAS model better illustrates and extends our artistic metaphor.

Earlier we explained that it was the data that drove our interest and not our interest that drove our data, thought of in this way it is easier to identify activity that took (and shaped) our interest. We could have chosen to use one case study, or at least positioned ourselves to research within one organisation but it was not our intention to appropriate and apply the sensemaking model on data rather it was our intention to expand the philosophy of sensemaking having sighted and detailed new instances. The perspectives of the activity we gained were, in the main, the ones we were handed, not necessarily those we would have chosen – such is the nature of the sensemaking phenomenon.

It is possible to locate on the GAS model the appropriate method of viewing the data from which it can then be rendered. Thus the model performs another task in that it allows us to discuss and interpret the data from a common platform. The model becomes our pallet from which we select words as colour to depict tone, hue and contrast.

Events caught in time (impressions) become our scenes from organisational life (canvases, shown as narratives), depicted according to subject, perspective and setting from a flexible but bounded repertoire (GAS model as palette) containing a finite medium (words as colours). The sense of 'school' is given by the combination of time, scene, perspective and bounded repertoire (sensemaking). The extension to the school (theory) is to be found in the new [organisational] settings and the manner in which we utilise colour (extension to theory) to add to the bounded repertoire (ways of understanding sensemaking in organisations).

An important point for us to reemphasise here is that it was not our intention to design a methodology in order to confirm or refute the sensemaking model. We saw our role as one of collecting descriptions of events, nostrums of sensemaking that might provide an alternative way of seeing the role of leadership in adaptive change on the premise that if our analysis is accurate (or only half accurate for that matter), there exist latent opportunities within organisations to improve the quality of decision-making through an enhanced understanding of the sensemaking process.

In fairness to the reader we need to clarify the possible confusion created by our philosophical preference for the personal pronoun *we* and separate out the function of data collection from the activity of being part of and contributor to the social action that we describe within this thesis.

In the next section we will detail the way in which access to research sites was acquired, the time over which data was collected and with whom. At times this would, in the literal sense have been that we visited, conducted research, consulted and worked with the actors.

As author, I was present at all research sites on all the occasions noted within this work, further more I was responsible for the: detailing (by handwritten notes or tape recording) of interviews, transcribing (where necessary), analysing, collection of artefacts that appear as appendices (press releases, minutes of meetings, agendas and the like) and drafting of initial discussion notes that, in turn, led to the drafting of this thesis. When acting in the capacity of consultant on the occasions relevant to this topic I had acted as the lead and negotiated access. This was also the case on all but one of the pure research visits (see AES in Colville, et al, 1999) where there had been joint negotiation together with Colville (ibid).

Given these qualifications and those that follow the pattern of divergent interests and opportunities to *create* data - for this was nature of the emergent process - is clarified. In the Police explicit permissions had been obtained to tape record interviews whereas in all other organisations, whether entered as consultant or researcher (and this distinction is commented on in the next section), contemporaneous note taking provided the mainstay of recording conversations and interviews. We would also take note of 'incidents' or rather activity for which we had no convenient label but where we wanted to take heed of context and form for reflection at some later stage.

Whilst the detailing of 'incident' data in this way may seem, on the one hand, disciplined (as ethnographer) and on the other hand somewhat gauche (as consultant) the origins and method of this lie not in consulting or research activity but as a personal style developed as a career police detective. Hence notes taken in the course of this project, whether in the guise of researcher or consultant, would often appear as shorthand jottings in the margins of reports, agendas or even the back of paper serviettes. This was not as a means of disguise but as a means of protecting – as far as was possible - the natural flow of events that tended to occur

at times of their own choosing rather than ours! Inevitably consulting assignments included gathering legitimate contextual information by interviewing different organisational members and stakeholders from which informed advice could be offered to the principal business sponsors, and such data, in turn, informed our research activities.

Section 4:

Mixing the palette

'Let us begin by committing ourselves to the truth, to see it like it is and tell it like it is, to find the truth, to speak the truth and to live the truth'

(Richard Nixon)

The irony of Nixon's words are not lost on us but the espoused principles hold to the point of Oscar Wilde's warning that truth is never pure and seldom simple as we set out the data for the next section of our thesis and seek to tease out the sensemaking process grounded in the daily lives of our actors.

Whilst we may make comment on models of social change, these are not our central interests; this is reserved for the order of adaptive change viewed as a sensemaking process. It is not a theory of how to create change but one that examines where change takes place and what precipitates change. We are mindful of Colville et al (1999); 'there are no grand strategic maps of the future that can be handed down from the top, there are only local ones' (p 142). We suggest that our audience views the data as a series of local maps from which we have selected areas of terrain to explore.

Actors from within the organisations we observed attempted to change the way their people interpreted meaning and thus influenced their actions. Sometimes it worked sometimes it did not. Often the outcomes were not those anticipated; sometimes they caused consternation or surprise. Our purpose here is to draw out such examples as may infer a tangible link and then ask 'what is going on here?' (The

activity or common sense). We then go deeper and yet ask the same question 'what is going on here?' (The sensemaking of the situation or common sense of a higher order).

The following case studies ground a view of the situations in which our actors found themselves allowing us to see sequences of activity that highlight aspects of existing theory. We believe this allows us licence to probe wider from our data when we discuss links and possible extension to theory in the work that then follows.

We draw our data from four different types of organisation, the sustaining link being that they all try to cope with first-order (Watzlawick et al, 1974, Weick & Quinn, 1999) adaptive (Fox-Wolfgramm, et al 1998) change. However, they also differ, significantly, in the drivers for change, as do the units of examination.

It is our intention to detail the case studies then compare and contrast them through a model of contextual analysis developed by Pettigrew (1985). We then seek to draw out what we see as the key components of the cognitive processes at play in our case studies and seek to link them to Weick's (1995) model of sensemaking. For us Pettigrew's model provides the macro social agendas, existing at the time of organisational change, whether or not they are reflected at a micro level of social activity, specific actors have awareness or at least tacit knowledge (Polanyi 1958) of the adaptive response required in asking the question 'what is happening here' we note that our actors have an active knowledge of the requirements and make cognitive choices - it is what they do as a process that takes our interest. We suggest that the choices our actors make are based on what Weick (2001) describes as a process of 'triangulating' (p.446). In this case the application of different measures: information, symbolism and retention, to determine meaning and literally make sense of phenomena.

We then seek to analyse the data through what appear to be the primary elements of sensemaking as they are reflected in our data, i.e. noticing (Starbuck & Milliken, 1988, a), requisite variety (Weick, 1979) or active search Argyris (1996) and future perfect thinking (Weick, *ibid*). Here where we ask 'what is happening?' from the sensemaking perspective we draw conclusions about awareness levels of our actors based upon their observed responses to phenomena.

Finally we discuss the implications for studying sensemaking in times of organisational change and consider how this research might be further developed.

The primary units of study vary between the case studies and each takes account of wider data for the purpose of defining context and grounding activity. Detailed below we comment on the nature of the organisations, our reasons for being there and how the dimension of time (Pettigrew, et al, 2001) affected our perspective of the changing nature of the organisations and our relationships within them.

Parvin-May: here we concentrate on the actions of Stephen Reading the chief executive. We see how over a period of 6 years, 1994-2000 (data collected 1997-2000) Stephen attempts to influence the development of his banking operation in the City of London. His initial activity centres on salvaging an under performing organisation before it folds.

By 1998 Stephen, aware that Henry Simme, the chairman and major shareholder, wishes to retire and divest his shareholding, embarks upon a five-year plan to ready the organisation for trade sale/merger (Stephen holding 1% of the issued share capital). Furthermore, by 2000 he is already planning on how to take the organisation beyond sale and 'take the next set of shareholders for a ride as well'.

The only executives aware of this plan are Stephen and Henry and although Stephen thinks that he has a sense of the organisation he needs to develop in order to meet this plan - he does not confide his objective - rather he tries to influence the activity of directors and staff by providing cues he feels will lead to the behaviours that he seeks. Unfortunately we conclude that Stephen preaches risk taking but practices risk reduction and this has consequences for our actors.

Access to this organisation had developed from a request by their Human Resources Manager to tender for the delivery of functional training activity; presentation skills and the like. In turn this led to meetings with Stephen and senior members of the board, it also included as part of the 'sniff test' a formal lunch in their dining room. An unusual process but experience taught us that this was an organisation that cherished relationships. One where people needed to feel comfortable with new insiders and new outsiders who were to be given access to insiders. As it transpired this also reflected the view we took that this was a tightly coupled organisation where senior management took an active (literal sense) role in most aspects of decision-making.

Only Stephen who, with his senior team, has remained in post throughout this research knew of the dual role of the author. Other consultants have been drafted in to provide additional services in training and development but the role of the author has developed into that of coach/facilitator assisting the leadership to consider the future of the organisation on occasions such as their annual strategy weekends.

The Police: whilst similarities may apply in other countries this study looks at the genre of policing in the United Kingdom and how, since inception the tradition of policing by consent of the people (Mark, 1978) has closer reflected the Police acting

in a politicised manner where their consent is of a political nature (Reiner, 1983, Giddens, 1996).

The prime driver for change that we discuss is a social agenda - the reduction of crime by reducing tolerance to crime - enacted through a political agenda; the manifesto/mandate of a newly elected Labour Government in 1997. We also note how the Police have dealt with requirements in the past to change/moderate/re-define their output, yet have remained, largely, resistant to internal structural change or changes to the way in which staff are managed. Although we have conducted specific research on the police before (Carter, 1989) our interest was reawakened by the symbolic 'call to arms' (above) of the incoming Labour Government in 1997 and ran through until 2000.

As a former police officer who had attended the Police Staff College on the accelerated promotion scheme (and who had written about the police as an insider, Carter, *ibid*) access to former colleagues (by then in senior positions) had been negotiated through long standing personal relationships in a number of police forces. All but a very limited number of respondents were aware of the research purpose (indeed a case could be made that they knew too much of the purpose!).

The context of policing rather than any particular force was our primary unit of examination and to some extent this ameliorated the potential distortions of time in that we were able to track officers into new postings in different locations whilst maintaining our focus on large-scale cross-boundary organisational changes.

FCO Services (FCOS): we focus on the executive body of FCOS the largest of sixteen divisions or commands in the Foreign & Commonwealth Office (FCO) as it

deals with the requirement by Central Government for greater financial accountability from public bodies and to better reflect the organising of private industry.

The research in FCOS spans a five-year period (1995 – 2000) and culminates in activity following publication of the Government White Paper - Modernising Government in 1999. Whilst the requirement is for FCOS to undergo first-order adaptive change we note that despite calling for such change themselves our actors appear unable to move from the abstract of thinking to the activity of doing. Essentially this is a story of no change where our actors appear to risk enacting an environment of crisis through active inertia (Sull, 1999).

The author entered the FCO with primary responsibility for maintaining a business relationship that involved several different consultants, however, the research interests of the author and supervisor (who also operated in a consulting capacity) were known and accepted by the senior director responsible for sponsoring the business workload.

Fortunately this director provided a high degree of continuity and appears in much of the data, however, by the time the research had been completed she had been posted out of the command. Our data collection, nevertheless, continued and by this time some junior managers had also become aware of the research area and expressed interest in its outcomes.

EMI Recorded Music - whilst we ground most of our data within one music company, during the period from 1997 – 2001, the unit of interest stretches to the level of the whole music industry but, such is the nature of the driver for change - advances in

technology – even this is subject to redefining into a content/entertainment/delivery industry.

This is a case study that tracks the context of the music industry from the early 1960s era of the Beatles through the 1980s & 1990s periods of mergers, when music companies merged and acquired most independent labels in order to establish copyright ownership to huge depth of back catalogue. It discusses the way in which the industry has developed building to the point in 2000 where only five 'majors' remained: EMI, Sony, Warner, Universal and BMG. At this stage we pick up the activity surrounding the concept of copyright and see how this core asset for the music industry is negotiated into a support function for a new style of business for which the central platform would be electronic communication.

Within this research site the author was the sole link and the research interests were known only to a small number of executives who wished to remain anonymous. A large proportion of this case study has been compiled with material available within the public domain. Where we have taken direct quotes from our research data these have duly been anonymised with different names. This case study has also been assisted by the settled nature of the principal respondents who remained constant throughout the period of research.

Launching the theme

As a precursor to our case studies we wish to introduce a graphic scenario to illustrate just how important, in certain circumstances, the concepts of *sensemaking* and *crediting* can be to the process of organising.

In April 1970, just nine months after man first landed on the surface of the Moon, Jim Lovell and the crew of Apollo 13 set out to repeat the feat of Apollo 11. Some 200,000 miles into space mechanical failure in one of the fuel cells brought near disaster. Information gathered after the flight suggests that, in the nine months following the first successful mission, space travel to the Moon had already become systemised into 'routines' based on previous success – or over crediting.

- None of the network TV stations carried live coverage of the astronauts sending pictures to Earth; it was old hat, not news
- The first response to the developing failure of the spacecraft was to regard it as instrumentation failure – mechanical failure of the magnitude being reported was not thought possible
- It was unknown whether the lunar landing craft rocket motor was sufficiently powerful to use as a back up for the damaged spacecraft
- The oxygen filters in the lunar landing craft and the spacecraft were not interchangeable; the need had never been considered

In the event the astronauts were returned safely to Earth, but only by improvising a new mission and using equipment in ways for which it had never been designed.

Starbuck & Milliken (1988, b) detail how past successes lead to beliefs about future success. 'Organizations often interpret past successes as evidencing their

competence and the adequacy of their procedures, and so they try to lock their behaviours into existing patterns' (p.22). They further define this process as 'fine tuning the odds until something breaks' (ibid) or what we might refer to as if it ain't broke don't fix it'. Weick (1979) describes such activity as over crediting; we take information from past events and process them in unequivocal ways. In Apollo 13 this meant that multiple power loss had not been considered, and equipment capability was not designed on a contingent basis, but on a proven basis – the lunar landing craft lands on the Moon and life support is operated as independent systems, one for travel to the Moon and the other for landing on the Moon. Insufficient regard was paid the equivocality of the input – that is to say - the previous missions had been successful because nothing had gone wrong but the opportunity for something to go wrong had always been there, hence any deviation, whether it be mechanical failure or change in operating conditions, could have triggered the failure, as indeed happened.

Thirty-one years after the event, the transcript based Hollywood film 'Apollo 13' is still powerful enough to demonstrate how 'routine' activity can turn to near disaster and how difficult it is to reverse the process once we take such matters for granted.

'On 13 April 1970 astronaut Commander Jim Lovell made one of the great understatements of the last century - 'Houston, we have a problem' - and though we're waiting to hear Tom Hanks say it 50 minutes into this film version of that fateful moon mission, it still retains the ability to chill us. This is a compelling picture that grips despite our knowledge of the outcome, and what makes it remarkable is the human factor - the way people retained control over themselves, how they improvised, refused to give up, and collaborated altruistically'

(Philip French, Film Critic, *The Observer* 21 January 2001)

This film is used extensively (under licence) by the author to illustrate to students, that once organisational systems lock into routine processing they take *remarkable* effort to change. However, this was a *near* disaster in terms of loss of life but an *actual* disaster in terms of organisational processing. Unfortunately it appears that the former was celebrated and the latter neglected. Not that such processing is by any means restricted to space travel – the basic tenets of failing to notice and over-crediting are liable to occur in all forms of organising: -

'the Barings system threw up loud enough signals to alert any management: any management, that is, which hadn't lost control in another, deeper sense - understanding what's going on. Most financial collapses result from ignorance coupled with inaction in the teeth of mounting alarms.'

(Heller, 1995)

The Barings situation grew out of routine processing that Perrow (1984) explains thus:-

'Warning of an incomprehensible and unimaginable event
cannot be seen, because it cannot be believed'

(p.23, emphasis added)

Weick (1979) suggests that the reason it *cannot be believed* is that it *cannot be seen*, effectively trapping actors into existing meanings. It is against this bias towards *seeing is believing* and the consequences for organising into *routine* processes that we ask for our case studies to be read.

Section 5:

The canvases: applying the brush strokes

In this section we provide detailed accounts of our host organisations outlined as case studies. To differentiate this and the following sections (6 & 7) we will take an abstract of the Weick (1979) GAS model described in section 3 and overlay differing perspectives using the existing terminology of general/accurate/simple. Here we, therefore, look at data from the six o'clock position that is both accurate and simple. At section 6 we look at the information from the ten o'clock or simple/general position and finally at section 7 we view the data at the two o'clock or general/accurate position.

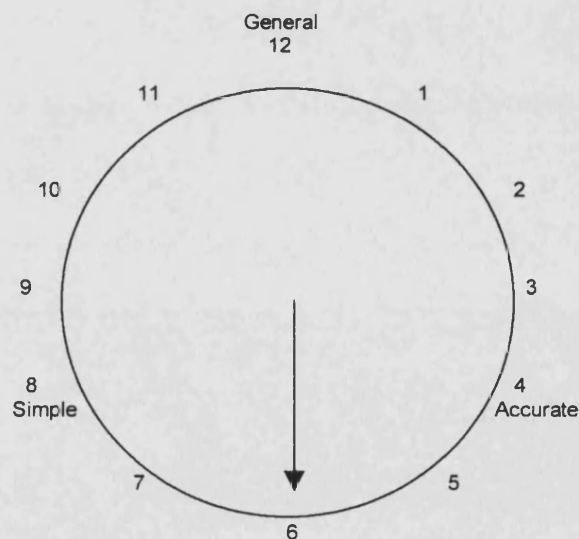


Figure 6.

The descriptions in this section are accurate in that the information provided is taken from direct conversations, manuscripts or personal accounts from our actors. The information is, however, simple in nature and presented devoid of analysis or structure.

Following our earlier stated intention of using the GAS model (or at least our variant of it) as the palette or medium from which we would chose words in the school of sensemaking at the beginning of each case study we indicate the area of sensemaking, that shaped our interest in the organisations and compelled us to research further. From our root metaphor we might suggest that these were the moments that took us by surprise or caught our imagination and had us reaching for our brushes!

At the end of each case study we look back and suggest how sensemaking formed part of the activity we have recounted, why it is important for leadership in organisations to attend to this phenomenon and what we have learnt about its processing.

Private banking: Parvin-May

The principal point of interest here is the way that decisions were rationalised or confirmed in retrospect, our interest was taken by surprise/disturbance created by the following activities:-

- The slow emergence of the Bank from a position of rescue to potential sale brought about by the need to compete effectively and the growing realisation of the CEO that 'his' strategy had worked (but not with the results he expected)
- Whilst in the anxious state of motivating his staff to greater profitability the CEO lays down what he believes to be clear cues for individuals to take individual responsibility (without expressing his reasoning) as a result his senior team make sense of the situation and come up with a different conclusion to the surprise of the CEO
- A group of senior managers (later known as the 'magnificent seven') press for greater autonomy and authority, the response by the CEO and chairman is to issue titular directorships leading to dissatisfaction on both sides. The overall thread linking this and the previous issue being the mismatch between the apparent wishes of the CEO and the actions taken to achieve his objectives leading to a series of surprises and disappointments for both parties

The case study largely centres upon the efforts of Stephen Reading; Chief Executive of Parvin-May, in his endeavours to transform a traditional former merchant bank into

a profit focused private bank and then, without the knowledge of his directors and staff, prepare it for sale/merger.

Many of the 'high street' banks sell a broad range of services to retail clients (members of the public) and corporate clients (businesses and institutions). Some of these will have private banking, divisions or subsidiary companies specialising in private banking.

Examples would be Barclays, who operate Barclay Premier Banking, and Nat West who own Coutts. The target for these organisations are termed 'high net worth clients' - quite literally those individuals with high levels of disposable cash.

Smaller banks tend to focus their activities on 'Merchant Banking' (arranging the funding requirements of corporate clients - quite often for the purposes of raising funds or potential floatation on the Stock Exchange) or 'private banking' (described above). In 1999 Rae Brothers, the only other UK independent bank specialising in private clients was sold, leaving Parvin-May in the unique position in the City of London of an independent private bank with a full listing on the stock exchange.

Stephen's view was that it was necessary to make the transition from 'merchant bank' to 'private bank' in order to ensure the long-term viability of his organisation. His rationale for this being that, as a small bank, Parvin-May simply did not have the resources to compete in the domestic corporate arena, let alone the international corporate arena.

In its revised format the Bank focus was restricted to four primary areas: -

1. Banking - including the taking of deposits and placing of loans

2. Treasury - placing of funds in the money market and speculating in foreign exchange transactions
3. Investment - placing clients funds into share portfolios and managing Parvin-May own investment funds
4. Off shore trust activity - based in Guernsey and the Bahamas where trusts are set up for clients to maximise the tax shelters offered in these territories

A number of tensions existed between these areas and Stephen had to maintain the balance. The Bank of England heavily regulated the banking operation; its activities were driven by risk aversion and conservative principles. At the other extreme the Bahamian operation (a new enterprise) actively sought opportunities to 'do deals' and organise complex trust arrangements - banking would often challenge the quality of these deals thus slowing down the process.

Senior staff held Stephen in high regard. He had been with Parvin-May since leaving university, he was very bright and seen to be totally committed to the staff and Bank. Notwithstanding this comment, some of his senior colleagues saw the world in very different ways, often frustrating his efforts. Many did not want to change. Neither did they like risk and adopted a highly conservative approach to business.

An example of the way in which tension and mutual dependence existed at one and the same time can be seen from the following example: -

In order to extend its loan book (often driven by the off shore operations) the Bank has strict guidelines on the funds it must have on deposit to cover loans. One solution to this was seen to be the generation of a new 'retail product' - essentially

the terminology used for any sales pitch to the public. The particular 'product' was a high rate of interest with the advantage of a shorter 'lock in' period than its competitors. This 'product' attracted the attention of the weekend popular financial columnists. As a consequence Parvin-May opened 10,000 new deposits.

The tensions that this caused included: -

- What was seen by some to be a move away from the market of 'high net worth clients' (typically the Bank saw this as depositors with cash of more than £100,000 to place, or investors with portfolios of not less than £300,000). This was against the new product set at a minimum level of £10,000.
- How to manage an unprecedented number of new customers that had completely swamped the infrastructure of the business.
- The inability of the organisation to differentiate these new clients in order to pick those of high net worth and - leading on from this - cross sell more profitable activities to them.

Much of the activity will be seen as tightly coupled to formal structures that appear to be used by managers to guide the actions of those working for the organisation. Whilst many of the senior staff justify this tight coupling on compliance procedures required by the regulatory authorities (Investment Managers Regulatory Organisation - IMRO and the Bank of England), Stephen's view was that these were excuses used by people who 'have landed in a fur lined rut and refuse to move'. His concern was that the Bank was failing to achieve an equitable return on the investment of shareholders. As such, the Bank was vulnerable to take-over and the staff to job losses.

As a result of Stephen's frustration, in 1997 he held the first of what he intended to be annual Strategy Weekends for Directors and Assistant Directors of the Bank. This occasion was the first formal attempt by Stephen to raise awareness, albeit, slowly and carefully, that the staff needed to change their focus and move away from what he saw as their 'comfort zone'.

As we move through the study of particular note is the deliberate way in which Stephen avoids specifying his central concern. Whilst he felt that the Bank was on the cusp of either great success or failure, he feared that if he defined the issue - as he saw it - his fellow directors would panic and/or see him as manipulating the situation for ulterior motives. 'I have got to be careful here - some of them are like rabbits gazing into the headlights whenever something new comes along - others think that I am trying to sell the Bank from under them'.

It should be noted that whilst a fully listed public company on the London Stock Exchange the chairman, Henry Simme, and his family, still owned some 28% of the equity. Stephen had to fulfil multiple roles as a functional manager, interface with the City and go-between for the Bank with its more powerful stakeholders.

The activity that we follow spans a four-year period (1997 – 2000) in which Stephen attempts to influence his colleagues. We would venture to suggest that Stephen's intention was that his directors' thinking would fall in line with his own if they also picked up cues from the wider environment. We would also suggest that the context Stephen saw and worked within was different than that experienced by his staff even though each was both a product and result of the other.

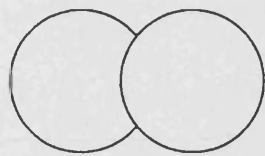
We look at the way in which Stephen Reading, as CEO, delivered organisational change in transforming the output of the Bank and the issues he faced when attempting to change the way in which the output was created. As the activity moves on we note Stephen's increasing level of frustration and anger at what he saw as his team's deliberate and foolish reluctance to face his definition of reality and share his sense of meaning.

Stephen avoids, until mid-way in the four-year period of this study, describing to his team the world as he sees it. Then, to Stephen's astonishment, having done so, they do not, apparently understand his solution to the problem and appear transfixed by his frustration.

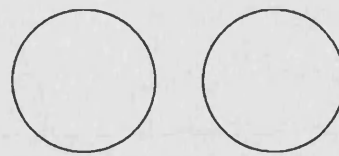
As we later discovered, following research in the Bank's Bahamas operation, the style of business and behaviour described by Stephen had actually evolved in small pockets of the Bank over the period of study, but this had not been recognised by senior managers in London.

A start up operation in 1997, the Bahamian subsidiary had moved from 'T-shirt and jeans with no computers or customers' (Bahamas Managing Director) to a profitable part of the Bank's business employing a much flatter management structure that had started to push its London and Guernsey offices for faster signing off decisions.

Our focus is the difficulty of creating meaning with at least a minimal overlap, common definitions and thus - joint sensemaking - our posit being that we do not all see the world as one, neither do we notice or place value on the same cues.



Minimal overlap =
shared (not equivalent) meaning



No overlap = no shared meaning

Figure 7.

In this work we recount occasions where meanings are shared by minimal overlap. 'Connected in some way' (Weick, 1995, p.129) even though this may entail advantage to one party to the disadvantage of another. We shall also see situations where there is no overlap of meaning and the consternation (even anger) this generates.

Stephen seeks to transform his organisation but in a controlled and evolutionary manner. In choosing this method he avoids alienating his senior team through shock tactics, he also avoids compromising the Bank's conservative disposition. However he also invites his staff to enact their own environments. By the time we finish this case study he ends up with, in his opinion, two extremes neither, of which meet his requirements. The London and Guernsey operations are still tightly coupled to structure, hierarchy and conformity; the Bahamian operation is risk adept with a growing reputation amongst its clients for innovation and creativity but 'in need of control'.

Parvin-May started the Bank in 1919 and the Joseph family ran it until 1963, when it was sold to a management team that included Henry Simme. In 1971 the Bank obtained a full listing on the London Stock Exchange.

Until 1994 the organisation was called 'Parvin-May Merchant Bankers'; its activities included: banking, treasury, investment and some corporate deal making (organising finance for small acquisitions raising loans for capital projects etc.).

Between 1990 and 1994 Joint Chief Executive Officers: Stephen Reading and John Edwards ran the Bank. Stephen's background was that of a mathematician whereas John's was that of a traditional stockbroker. In 1994 Stephen, frustrated at the inability of both to agree upon a strategic direction, and increasingly concerned about the Bank's financial status, suggested that the Bank focus on areas where it was strong and made money. In the main this was through banking and investment activities. John agreed with the results of Stephen's analysis but was reluctant to re-define the Bank's activities. When pressed he shocked Stephen by divulging that he enjoyed the excitement and involvement of deal making.

As Stephen put it 'I could not believe what I was hearing. The figures proved that we were standing on the brink of a precipice, the next step could well have been our last, we did not have a good track record in deal making, someone would come to us and we would try and cobble something together, normally not very well.'

Stephen and John each made a presentation to the board of directors on their respective visions for the future. The board chose Stephen's version and John left the business. Stephen believed that the Bank had created a blind spot by its previous commitment to 'merchant banking', a 'one way street to nowhere' as he saw it. He decided to create a new commitment to 'private banking' not as a definitive route to success but the only viable *possibility* for saving the Bank. The change of definition immediately brought with it a feeling of reinvention from the employees, most of whom later recalled the process as changing the direction of the Bank. In reality it did not change direction or add to its service areas it merely stopped operating in the

loss making areas (commercial) and carried on with investment and banking for private clients.

The public commitment to 'private banking'; created a new expectation and a perceived need for skills training in areas such as customer care and product development. In this way Stephen identified both the debilitating and development potential associated with the enactment of words used to describe the activities of his organisation by using the potential strategic ambiguity offered by the interpretation of 'merchant banking' and 'private banking'. He was able to attribute blame to one and solution to the other.

The majority of the employees working in the Bank were not aware either that a problem existed (because nobody had described the situation as a 'problem') or that there was a difference of view between Stephen and John. Having raised awareness of staff to the 'problem' the 'solution' won immediate support. Furthermore, Stephen was viewed as a brave leader with vision, despite having played a significant role as a senior manager in the Bank for several years previously.

As a young man (mid 30s) Stephen had identified a potential problem in the Bank's liquidity. He acted when it appeared that there was a very real chance that he may have been associated with the failure of the Bank and that this would jeopardise his future career prospects. Divesting the Bank of commercial work was a form of risk reduction in Stephen's view; not risk taking. Equally he saw the challenging of his fellow Joint Chief Executive as risk reduction. 'If I had stayed and said nothing we would have failed. If I put a different option to the board and they had gone with John I could have left before the Bank failed. I did not want to be associated with failure so either I stayed and changed things or went before it failed, either way was better for me than doing nothing'.

At the time we started to draw upon live data Stephen had started to become increasingly anxious about the Bank's vulnerability. Shares in the Bank were held by the ageing chairman, three city institutions and the remaining 20% by employees and public shareholders.

The Bank's vulnerability stemmed, in part, from a poor return on capital (7%) and its unique position as the sole independent private bank. Stephen's concern, which he kept to himself for fear of frightening staff, was that if the Bank was taken over, whilst under-performing, (he saw a return on capital of 20% as being acceptable) all staff would be vulnerable to dismissal. The gap between 7% and 20% return on capital was, of course, large, but interestingly, when set as a five-year plan this was never questioned by staff who saw more difficulty in increasing the share price from £6 to £18 over the same period (this provides us with a clue to the sense of worth staff placed upon the Bank, they were not convinced that it would be an attractive investment in the eyes of the City market makers – those that influenced the share price based upon performance and potential).

As a consequence, without being specific about his agenda and concerns, in September 1997 Stephen gathered his directors and assistant directors together for a 'Strategy Weekend', the aim of which was to concentrate the attention of his senior team on making greater profits.

NB: the context for this case study has been re-written to include a wider perspective, not only Stephen's relationship with Henry the Chairman, Henry's, relationship with the rest of the Bank, but also a further agenda that had emerged for which we had previously noted but had not understood. We had been informed of Henry's history with the Bank, the role he played in dealing with other principal shareholders and mentoring the development of Stephen's career. We would also now add, with the

benefit of four years observation, that, whilst often spoken of as 'old school' and 'autocratic', Henry's influence was far more pervasive than we had realised. This influence made him a significant aspect of the prevailing context against which our activity was to be played out.

- Henry was extremely intolerant of under performance and only two, possibly three, of the senior management team (including Stephen) met his exacting intellectual standards - those who did not could and did find themselves on the wrong end of a shouted outburst
- As a consequence of his lack of faith in the managers Henry expected Stephen to maintain a detailed knowledge of the workings of all departments
- The only involvement in yearly strategy weekends (see below) would be to arrive for a formal dinner at which he would make a brief speech without any understanding of the discussions that had taken place
- He was unable to relate to most of the staff

Stephen summarised the issues himself:-

'You have to remember that Henry was born rich - an only child whose parents died when he was young. He had the strangest of upbringings surrounded by servants - he does not see why he should not treat the staff here in the same way - if they do their jobs well, that is what they're paid for if not give them a damn good bollocking. It is not that he does not mean well. Far from it, he simply does not understand any other way and thinks that he is doing his bit for the cause'

Weick (1979) articulates the contrasting influences at play for Stephen by suggesting that a bank is a living contradiction. It both encourages people to save and be thrifty,

whilst owing its survival to the encouragement of people to borrow. Stephen wants and needs both, which means the message to the organisation and customers is 'It is good to save and bad to borrow, it's good to borrow and bad to save' (p.222). This is a fragile enough balance but Stephen needed to discredit the existing balance in order to change it - whilst maintaining the underlying theme. Lend better and take more deposits without exposing the Bank to unacceptable risk.

The synthesis of the discussion at the first Strategy Weekend is given at Appendix 'A'. The result of two days of discussion being that the senior team agreed to form a new committee, named the 'Marketing Committee'. To put this into perspective the following is a list of the committees by then in existence in London alone where only 80 staff were housed at that time: -

Credit Committee

Group Risk Committee

Investment Committee

Compliance Committee

Audit Committee

Group internal audit Committee

Group Executive Committee

Remuneration Committee

Group IT Committee

In addition the Bank retained non-executive directors to oversee practice and policy and was also subject to visits and scrutiny by IMRO and the Bank of England.

Stephen chaired this new committee but after six months he felt that little progress had been made: -

'All that seems to be happening is that we walk the issues around the table, no one grabs one of the ideas and says – 'hey I like the idea of this new credit card, I will take responsibility for getting it sorted.' All that happens is that an idea is thrown in, people say that's good but nothing happens'.

Two months later this frustration had deepened still further: -

'We have been meeting now for eight months and not one initiative has been developed, don't these people realise that someone has to do something? Unless I take on the responsibility nothing changes, nothing is done. Now I have more than a sense of what we need to do but if I say do this or do that they will just say that I am running my own agenda. I see 7% return on capital our shareholders see 7% return on capital, what do they [the committee] see? They worry about looking after their departmental budgets, about making sure they have enough of the cake'.

Another month passed and Stephen started to discuss the next Strategy Weekend: -

'I have got to focus them [the directors and assistant directors] on profit, but I have got to do it in a way that makes them feel that it is their idea, if I just say - its about making more profit - they will say that I've carved up the weekend. If I say what is on my mind it would scare them shitless but these fucking people just do not see it. I could just blow my top and say - come on you lazy bastards, you get off your backsides and stop leaving it to me. If we do not turn this around someone is going to come along and

do it better, they make the shareholders an offer, they are pissed off so they take the offer. What happens to the staff? I'll tell you what happens to the staff they get sacked and who wants a bunch of failures? It might work out for them but as CEO there is nowhere for me to go and I am not going to sit back and let it happen.'

As a result Stephen then sent out a circular to the directors and assistant directors soliciting their views on what the major strategic discussion points should be and the theme the forthcoming weekend should take.

A total of 88 suggestions came back to Stephen. Of these 15 were related to business development or cross selling whilst the remaining 73 covered subjects such as career planning, communication and the role of the Bank.

Stephen's reaction was one of continuing frustration: -

'I just cannot believe some of the issues that these people have suggested, one of them has asked us to consider creating more regular communication with the Bank of England - if that's what they want why don't they just get on and do it? It's very disappointing some of the trivia being raised.'

In terms of 'strategic direction' there is a clear indication here that Stephen and his team struggled for some form of mutual understanding. Stephen, by sending out the invitation for suggestions to be made, wanted co-operation and the involvement of his senior team. They, by sending in 88 responses, clearly wanted to be part of the conversation - the difficulty being that the meaning both took from 'strategic direction' was different. Possibly due, in large part, to the fact that Stephen did not want to 'frighten' his team by sharing some of his concerns for the future. Unfortunately it

would appear that the dependency created by Stephen compounded the issue. The following might be a reasonable view of the cycle they found themselves in: -

- Why could they not see the bigger picture?
- Because Stephen attempted to restrict their view of it
- Why would he do this?
- Because he did not want to frighten them
- Why would this be a problem?
- Because they had little experience in dealing with the bigger picture
- Why?
- Because Stephen would not let them see it

Stephen's response to the return of questionnaires was to send around a draft agenda for the weekend set out in the following manner: -

'Overall theme: - **PROFITABILITY**. How do we maximise both short-term profitability and long-term growth?

The issues that have been raised by all of you in relation to the strategy weekend all have a bearing on profitability, and can be clustered into the following four broad headings. These issues will form the context for the weekend: -

1. **Product development and client base growth:** - How do we develop products more effectively, and increase growth with the right kind of clients, and how do we strike the balance between growth in the client base and individual client and product profitability?
2. **Client profitability:** - how do we cross-sell more effectively and increase the lifetime profitability of our clients to the Group?
3. **Operational efficiency:** - how do we increase the quality, efficiency and cost effectiveness of our internal operations?
4. **Staff effectiveness:** - how do we improve motivation, co-operation, teamwork and communication across the Group?

Stephen then sent out the draft agenda to all those who would be attending the weekend, inviting them to examine the subject matter through case study material of

specific projects that had gone well, or not so well, in order to establish the underlying issues at play.

The Strategy Weekend opened formally on a Saturday morning in September 1998, the group having gathered the night before from London, Guernsey and the Bahamas.

The minutes of the weekend (Appendix 'B') reflect a frustrating period for Stephen and his team. The meeting started off with a recap of the previous Strategy Weekend and the resulting set up of the Group Marketing Forum. This was followed by a presentation by Stephen (Appendix 'C') in which he, once again, sought to emphasise the financial imperative to generate a better level of profitability in order to satisfy shareholders and provide appropriate rewards for staff.

As a complete break with tradition at the conclusion of his presentation Stephen informed the group that he would not be present for their discussions, but would be available at the beginning and end of each session as a resource, if requested. There followed a protracted series of discussions held within smaller groups where a number of case studies were evaluated. This evaluation then resulted in an 'Action List' of six projects that the group felt able to address: -

The creation of a template for project management

1. Finalisation of a company data base
2. Conducting a time use analysis to identify charging levels
3. Identify new products
4. Elimination of unprofitable business

5. Issue and tabulation of questionnaires to enhance the performance of the business

Stephen, who had kept his distance from these discussions, but was briefed on the outcome of each session, became increasingly agitated at what he saw as the reluctance of any individual to take the initiative and responsibility for profit centred activity: -

'What is the fucking matter with them, not one of them has the balls to take on the big issues I am waiting to hear - 'if we do not do X we are gone, finished out of business, therefore I propose to do X about starting today' - I feel passionately about this why don't they? What is it with initiative and profit that frightens them?'

The following morning this point was used as the catalyst for further discussion and the question was put to the whole group: -

'Stephen feels that yesterday was spent, largely, avoiding what he sees as the important issues for the Bank. He also feels that people are avoiding taking individual responsibility.'

The group, once again, split down into smaller units and in this phase Shane, one of the senior directors, made private comment. 'People do not know how to deal with taking initiative - this has always been seen as risk taking in the Bank and these people and the Bank are 'risk adverse'.

Once back in the wider setting of the main group there was a distinct shift in both the pattern and tempo of the contributions made by individuals with a more direct style that had not previously been evident.

A selection of the contributions made included the following statements: -

'Non-executive directors are a waste of time and energy, whole days are lost in preparing for their visits at the end of which nothing is achieved and the business is no further forward.'

'Is Stephen really serious about change?'

'Stephen may want to devolve things, but do the people above him want to? - Is he restrained?'

'Stephen is keen to make a profit, but he is part of the culture of caution.'

Stephen:- 'You talk about devolution of power - you can't devolve into a vacuum - if you don't take it up it cannot happen.'

Matthew:- 'If people don't deliver they have to be accountable to Stephen.'

Stephen:- 'That won't get us anywhere - *this* group needs to make it clear to the person doing the task *they* will get the task done.'

Simon: 'There is no mechanism to do these things.'

Stephen: 'Create a bloody mechanism.'

Stephen, who by now had gone red in the face with anger, stormed out of the room leaving a highly animated group behind. In Stephen's absence, within an hour, the group had decided to scrap the Marketing Forum and create a Profit Committee. Furthermore they had appointed representatives from all parts of the business, set their first meeting and formulated a mission statement: -

'To implement strategic direction by taking collective responsibility for delivering revenue related projects by effective prioritisation of resources and effective communication on a group wide basis.'

We specifically draw attention here to the term *taking collective responsibility*. A point reinforced at the end of the day by Shane:-

'This is not just an issue of profit it is a question of what people will run with, committees they understand individual action they don't, it is not something that they know how to deal with'.

In the course of the following four months individuals from the Profit Committee had taken responsibility for leading a number of projects that were either directly or indirectly related to creating profit or generating further revenue:-

- The issue of 'Gold' cards
- Scheduling meetings with recognised intermediaries: solicitors, accountants' etc.
- Creation of a 'wrapper' product that would package together a number of services
- Targeting of charitable institutions to offer a range of specialist Banking opportunities
- Sponsorship of niche activities - international bridge competitions etc.

At the end of this 4-month period Stephen expressed satisfaction but also puzzlement at the performance of The Profit Committee: -

'I do not really know how or why it turned out like this but the change in attitude has been remarkable. I now have some apparently genuine interest from people in moving the Bank forward.'

We might suggest that his staff always had an interest in moving the Bank forward but there was a gap in understanding as to how this might be achieved and why it was so important. For Stephen it was a clear case of individuals taking responsibility and taking on projects that would add value to the business of the Bank. No such logic prevailed for his staff as this activity created a risk for the group, none of whom had experience of taking risks or initiatives outside of a group forum, where collective responsibility could be claimed. Indeed the Bank had many built in controls to prevent just such action above and beyond the various Banking and investment committees listed earlier: -

- Parvin-May Board - to oversee shareholder matters
- The Group Executive Committee responsible for the formulation and execution of the Group strategy
- Parvin-May Board - responsible for the management of the Group's London activities
- Parvin-May (Guernsey) Board - responsible for the management of the Group's Guernsey activities
- Parvin-May (Bahamas) Board - responsible for the management of the Group's Bahamian activities
- Non - executive directors to oversee practice and policy

Stephen and his managers struggled to accommodate each other's needs and ambitions. For Stephen it made 'common sense' to use initiative, try out new ideas. For his team the thought of 'leaping before looking' made no sense and was, therefore, nonsense. Stephen had the information to show his staff where and why they were leaping but had withheld it from them.

Seen in the conservative nature of Parvin-May 'initiative' was perceived to be risky, both at an individual and organisational level. Decisions were taken, new ventures initiated but by committee - not individuals.

As far as Stephen was concerned the 'penny must have dropped' - how else could the final result be explained?

The turning point came when Stephen gave the group permission - or rather demanded that the group 'create a bloody mechanism'. A 'mechanism' could be something other than an individual putting him or herself on offer - the most obvious 'mechanism' was, of course, a committee. Stephen was happy with the progress made, although somewhat bemused by the method by which it was achieved.

Twelve months later at the following Strategy Weekend in September 1999, Stephen was faced with a further situation when the Director of Investments – Shane, and a group of the assistant directors, started to make noises about a lack of recognition. Shane wanted promotion from the Group Executive Board to the Parvin-May Board - together with an enhanced title.

The assistant directors wanted promotion to director and seats on the Parvin-May Board as this held the prospect of greater levels of autonomy and authority for each of them.

At the time of writing the total establishment of the Bank was around 200 the promotions sought would have taken the total directorate to 14.

In one of the discussion phases of the weekend, Shane made the comment: -

'The time has come for the appropriate recognition to be given to those who have done so much for the Bank'.

Whilst in syndicate discussions Justin, one of the assistant directors, commented:-

'not much has changed – Stephen still says get on and do it but then holds [sic] the power to himself and the Board.'

Later; in trying to resolve the issue Stephen made the comment: -

'It has more to do with what Shane (the Director of Investments) can tell his pals at dinner parties or on the 7.30 [train] into Waterloo. It has bugger all to do with the efficiency of the Bank.'

Shane put it differently: -

'You have a Holdings Board mainly made up of old has-beens' that have not got a clue what is going on around them for the most part [key shareholders]. Then we have Stephen and Henry, we [the directors] just get wheeled on to do a party piece but most of them do not know what is going on. We should be there - we have the knowledge and have made a difference to the Bank.'

Stephen, after much discussion with Henry decided to promote seven assistant directors to director: - Shane to Group Managing Director - Investment and John, who had been Director of Banking, to Group Managing Director - Banking and Treasury.

In justifying these actions Stephen explained - 'this is the norm in the City - it is the way it works almost anyone is a director - and the title of managing director for Shane and John will let them do their thing more effectively - it is the title that counts.'

Shane's elevation to the Holdings Board was also agreed - but suspended for a period of 12 months.

The newly appointed directors 'The Magnificent Seven' (Financial Times April 2000), were elected to the Parvin-May Board. However this board was now to sit every three months rather than every month.

Two months later a pole of opinion was taken from the new directors who made the following comments: -

'Interestingly at a strategic level a couple of the guys think that the structure of PM is a block to growth - I certainly see the need for accelerating change and shedding the old skin ASAP.'

'Still too much working in silos without the transfer of information across the group'

'Information flow and the quality of the information are dependent upon the Board member - knowledge is power still an issue'

'The jury is still out on this - the Sons Board now sits every three months – Stephen has said that this is not a decision-making forum we are just there to listen'

'I knew something was amiss when we did not get sandwiches - the old Sons Board - met monthly and had sandwiches. We don't get the sandwiches, we would not be there long enough to eat them - it has got to be something of a joke around here we are the *Board without* to the catering staff.'

At an interview shortly after with the Chairman, Henry, this situation was explained to which he responded: -

'They should realise that they are not there to make decisions in other peoples areas it is not a forum for taking action - oh no definitely not, no they are there to do the same jobs as before - that must be made clear to them'

In the midst of this situation a management development company had been contracted by the Executive Board to deliver a range of management training modules to directors and assistant directors these included: -

- The nature and changing shape of organisations
- Moving from dependent to interdependent working
- Leadership as leading productive change
- Use of responsible initiative

This initiative led to even further frustration as those who attended agreed with the nature of the input but saw little scope for turning theory into practice at Parvin-May.

On the 11th July 2000 Parvin-May issued a press release (Appendix 'D'). Within that release, increases in performance across a series of measures were announced and Henry made comment about the reasons for those results: -

'The positive results of our strategic decision five years ago to focus on private Banking are now visible. The financial services industry has now recognised that ours is a fast growing market. However, it is not possible to create an integrated private Banking business overnight and, whilst we are small, we have the advantage of having a proven structure and culture which will allow us to make further progress in the future.'

The theme of the next Strategy Weekend (October, 2000) had not been set at the time of writing but many in London and Guernsey had become increasingly frustrated that their concerns were not taken seriously, and any limited change (e.g. the Profit Committee) had been *despite* the prevailing culture and structure not because of them.

Meantime in the Bahamas over a period of three years, a start up fund management operation that was started with three experienced managers had grown to some twenty-two staff and had developed a fast growing client base.

Evident amongst staff was a strong belief that the organisation was responsive to its client base. Senior managers were able to act quickly and decisively; junior staff were supported and enabled to take appropriate levels of risk on their own initiative.

Whilst this style had taken three years to evolve and appeared to capture much of the behaviour called for by Stephen, it had also moved away from a perceived dependency relationship this, by now, caused further tensions.

'Risk management is something of an issue for Stephen, I do not really believe that he knew what he was getting into here [The Bahamas] things work in a very different way. This means that when we put a complex deal together and ask Guernsey to take on the banking side of it we are treated as though we do not know what we are doing - sometimes I get the feeling that we are seen as the enemy'

(Janet Martin, Managing Director, Bahamas)

'The positive influence of London is that if we can get it past John (Head of Group Banking) we know we can run so we use that as the hurdle, that's great so we just go as off beat as possible and see if it gets past John'

(David Head of Client Services, Bahamas)

'Whilst they [London and Guernsey] do not understand that the risk tolerance is different here and they create real procedural burdens they have given us a framework and structure. We can use that because when we narrow down the options there is a well defined track to move it on very quickly'

(James, Trust Manager, Bahamas)

The overarching feeling here was that the operation had been started by Stephen as a method of expanding the business of Parvin-May without true understanding of how business operated in this off shore environment. Whilst the initial decision-making had been supported by London based managers, the start up phase had

been replaced by a structure and style of management developed to the needs of the current context and not based on an historical structure and style handed down from the head office.

As a direct consequence Stephen was now seen to be 'micromanaging' and 'risk adverse' - in essence perpetuating much of the behaviour he had been trying to change for the preceding thirty months.

Our case study is now given an added dimension, realised only in the later stages of our research.

We have noted Stephen's frustration that he was unable to generate the types of behaviours he sought out for the Bank. We have also noted that he talked of risk taking yet practised risk reduction.

The Strategy Weekend of 1998 had been the launch for a five year business plan and we have noted two of the key objectives set for that plan in terms of return on capital and increase in share price. We also noted the comments made by Stephen (above) and the likely consequences for him of the acquisition of the Bank whilst it was under performing.

We are now able to build on our data based upon subsequent disclosures. In 1998 Stephen, in preparing for the Strategy Weekend, had made the comment 'we have got to look at 2003 as the limit - we have to be in the right shape by then at the latest'.

Early in 1999 Stephen made comment that 'Henry's children are not interested in the Bank - they are quite co-operative and we tell them what is going on but that will not

be where it ends up'. Later that year Shane, the head of investments, was promoted (detailed above) after putting pressure on Stephen and Henry. A further comment on this subject also noted at the time:-

'This is not the time for us to take the risk of losing Shane - it is not so much the principle we know what that would have been it is more that we do not have the time to put it back together should he go'.

As we have also seen seven new directors were also created, then early in 2000 the whole of the directorate were given substantial salary increases of up to 30%. Stephen explained this as 'necessary to keep them where they are - we are on the way but it is fragile so we have to be competitive.'

In April 2000 the Bank declared its end of year accounts to the stock market in which it had taken the full charge for the relocation of its London offices in that financial year rather than spreading the cost over five or even ten years. To this Stephen said 'It's a hit this year but it clears the decks'. Shortly after this comment he made a final disclosure:-

'Henry goes [retires] in March 2003 that is when the plan runs until. The likely outcome is that we will be taken over that is what we are shaping up for. We [Henry and Stephen] have been positioning the Bank so that the right buyer goes for the whole team - that is why we have to keep them together. I see it that the directorate will be given shares and told carry on and grow it more. Then they will sell again only this time we get real money out of this as well as the shareholders. This may run to 2003 but the way these things go I would think eighteen months to

two years is more likely, in fact we are having lunch with one possibility today but they will not come to anything'.

Stephen was then asked a question:-

'Will any of the team at the Strategy Weekend be briefed in on this?

He replied:-

'No it is not something we can discuss but I rather hope that if I make the right sounds they might conclude this outcome for themselves.'

With the benefit of this disclosure we are better able to make sense of the preceding three years, albeit that the senior team were still to be kept away from this information and yet be expected to behave in a way that would enhance the prospects of achieving Stephen's aims whilst ignorant of the prevailing context.

Concluding note

For us sensemaking was evident at a number of different levels. The central theme being the development of an organisation that took actions to prevent collapse yet in so doing defined the basis for which the Bank became an attractive proposition for sale. Inadvertently Parvin-May shaped its environment by moving into private banking as it did not have the competence to survive in merchant banking. The number of independent private banking operations reduced and their attractiveness to large institutions increased. At the same time, again for the sake of survival, the profitability of the Bank increased and this further fuelled the interest of potential buyers. The combination of internal and external activity had served to develop a

wrapper that could be described as a 'successful, niche market private banking operation with a full London Stock Exchange listing'.

The learning for leadership here is firstly; reinforcement of the sensemaking phenomenon that sense is made *retrospectively* and therefore effective outputs may be better judged by understanding the inputs. Secondly attempting to *create* sense for others (Stephen laying out clues for his senior staff) is problem laden and made especially difficult when part of the information that led leadership to reach its own sensemaking is withheld from other actors. This becomes even more significant later when we examine the role of leadership as 'sensegivers'.

Service: the Police Force

Here we use a case study about the Police. We look at the historic development of an organisation that has led to a particular style of behaviour and thus part of the context upon which action is based. Our interest was re-awakened in this organisation (following earlier work in the late 1980s', Carter, 1989) when UK politicians in 1997 started to make public comment about the need for less tolerance to crime (see below) we have therefore taken a sighting of:-

- resistance to certain forms of adaptive change (core values and structure)
- acceptance of other adaptive change grounded in reduced tolerance to crime (although we shall point out that this was more a case of bringing to the fore suppressed behaviour rather than a change to behaviour)

We look at the strains that Government influence can create when the significance of contextual issues is underplayed leading both to resistance - in the creation of a *service* based philosophy and acceptance in the creation of a *zero tolerance* based philosophy. We also examine the way in which what actors notice can be influenced by political agendas and, finally, the effect of failing to recognise the element of consent required for sensemaking to achieve endorsement and wider social enactment.

From inception, there has been disagreement about the main or central functions of the Police. For Sir Robert Peel, founder of London's Metropolitan Police, their main task was 'crime prevention'. Sir Richard Mayne extended this, in his 1829 instructions to the *New Police of the Metropolis* in which he singled out 'the prevention of crime, the protection of life and property and the preservation of public tranquillity' as the core policing duties.

In the early 1980s unprecedented public riots in London, Bristol, Liverpool, Manchester and other large conurbations led, in particular, to the inquiry by *Lord Scarman* into the April 1981 riots in Brixton, London, from which he concluded the Police had used excessive force in the enforcement of the law. Further still he stated that, in the event of a conflict of aims between the maintenance of public tranquillity and enforcement of the law, the former should be the responsibility of the Police.

In the middle of the 1980s tactics employed by the Police during the miners' strike, often in front of television camera crews, had a dramatic effect on not only the nature and style of policing, but also on the public perceptions about the Police. The image of *Dixon of Dock Green* (a 1960s TV drama series about policing in London) style policing (if, in reality, it ever existed) was lost forever.

Towards the end of the 1980s the Police were faced with increasing scrutiny due to continuing increases in crime and well publicised miscarriages of justice, *the Birmingham six*, *the Guilford four* etc., Public support for the Police had dropped to an all time low and the Government response was to try to apply private sector management values and measurement to the issues of policing.

In particular, emphasis was placed upon the need to provide a public *service* rather than apply *force* to uphold the law. In the late 1980s we made comment (ibid) that the duality of *force* and *service* were not sustainable and that an organisation such as the Police would need to bias its activity within one of these metaphors at the expense of the other. Furthermore for any real level of congruency to take effect behaviours best fitting the prevailing metaphor would need to be encouraged at the expense of the other.

The problem for the Police was that the use of legitimate force, albeit to maintain the peace, had always formed a substantial part of a Constable's behavioural repertoire. Furthermore our research provided evidence that so pervasive was the notion of force that a quasi-military structure and system of management ensured that it was sustained.

Bittner (1980), comments that there are three levels at which force is legitimatised. Firstly each individual may use force in self-defence (although definition of this term is often ambiguous). Secondly specifically deputised persons are authorised to use coercive measures against named groups or individuals. Here we might think of an army at war with a foreign country or, on a domestic front, prison officers restricting the activities of inmates. The third method to legitimatise force, Bittner holds, is to form a Police Force that uses 'essentially unrestricted' force, that is to say, they operate within a legal framework and act by circumstance rather than the identity of an individual or group of individuals. Bittner therefore contends that the Police are *de facto* a force not a service. The principal role is to use coercive but legitimate force, not to provide a service. In finding agreement with Bittner we would extend that interpretation to all aspects of organisational activity internally as well as externally.

Whilst senior police officers provided public declarations of support to *service* orientated behaviour and community based initiatives, the system of management that was to bring about this change of orientation remained one of compliance based upon the principles of hierarchy and authority.

Experience of policing outside the UK did not demonstrate successful parallels from which learning could be drawn to support substantive change. Indeed, one of the most symbolic aspects of policing in the UK - that officers were not routinely issued with firearms - was at odds with policing in all but a very small minority of countries.

In France, Germany and the USA, where parallels are often drawn, the Police are armed, provided with protective equipment (body armour, CS gas and long batons) and are generally regarded as enforcement agencies that take a much tougher line with perceived offenders. It is no coincidence that part of the joke that defines heaven and hell positions a heaven Policed by the British and a hell Policed by the Germans!

‘Jokes involve some kind of unmasking, and belong to the family of satire, parody, caricature, cartoons, etc. but are distinct from all these. Their effects, when successful, always seem to include some flash of recognition and illumination, understanding and perhaps self-understanding caused by an abrupt switch of a train of thought to a different track. Perhaps, like intuition, a joke achieves this result through a kind of short cut that avoids reflection and reasoning, though it may well stimulate both. Its essence is a sudden jolt or twist that deflates our expectations and both expresses and releases our anxieties.’

Lukes & Galnoor (p.x 1985)

Far from starting from a position of strength, most officers would have identified with this joke and saw themselves under-protected and under-resourced in the face of an increasingly violent society (Rawlings,1995, Morgan & Newburn,1997).

Subsequent changes and the overt symbolism of arming the British Police on a more routine basis combined with training to deal with public disorder and the investment in the prevention and detection of major crime, took place in the same time frame as attempts to shift the emphasis towards a service orientation. The language and symbolism actually accentuated the pre-eminence of force and whilst maintaining a necessary accommodation for a service element – part of the structure, part of the

language, part of the reporting and part of the delivery - this was tolerated as long as operational effectiveness was not compromised.

More recently the previous Government in its White Paper *Police Reform* (1997) signalled its intention to return to an earlier model of policing, one that gives greater emphasis to 'fighting crime'.

The 1996 election manifesto the Labour Party picked up on the same theme when it committed itself to being 'tough on crime and tough on the causes of crime'. This was quickly followed by an experiment by the Police in Middlesbrough based upon the doctrine of *zero tolerance policing*. Police Commissioner William Bratton and Mayor Rudolph Giuliani received international press coverage after pioneering the philosophy in New York.

The concept was a simple one that challenged the traditional orthodoxy of concentrating resources on serious crime. It rested on the premise that a culture of contempt for social order existed which allowed lawlessness to take root. It suggested that if policing efforts were used to combat petty crime, vandalism, theft etc., they would also find that many of those engaged in petty crime were also involved in more serious offences. It would demonstrate a greater commitment by society to combat all levels of crime and encourage members of the public to report anti-social behaviours, thus reducing the levels of tolerance.

The policy reduced crime in New York by 17 per cent, halved the murder rate and restored a degree of personal freedom for those living in areas of high crime. It also led to a doubling of complaints against the Police and an increase in the prison population.

This reversal of emphasis is in direct conflict to the notion of *community policing* according to which policing is based upon consultation between the Police and the public as a means of informing operational policing. This is emphasised by such reports as the *Operational Policing Review* (1990) that found that most respondents preferred to see police officers working with local people to solve the problems of crime rather than detecting and arresting offenders.

The Police are caught between in the dichotomous position of providing both service and force as an enactment of their responsibilities. This is set against the shifting of political orientation from the use of enforcement policies in the early 1980s, the development of wide ranging cautioning policies in the late 1980s and back to enforcement policies in the mid 1990s'.

In the late 1980s' our research (ibid) suggested that the level of expectation placed upon police officers caused considerable tension between an internal management style, largely regulated and authoritarian, and the rather more liberal policies that senior officers supported and encouraged as an output of the organisation and which drew heavily upon the emphasis of Central Government for a service ethos in public agencies.

For the rank and file culture of the Police this created discontinuity between theory and practice, principally because, in the main, they had remained resistant to the theory and attempted to maintain the practice - with a bias towards acting as a *force* Manning (1997).

In a sense it could be suggested that *force* (as a metaphor) was being used in an attempt to deliver a service, and, however uneasily this sat with rank and file officers,

it provided sufficient agitation to displace a good deal of the previous 'traditional' policies of enforcement.

In our current research we revisited the Police who appeared far less anxious to appease libertarian influences and far more focused upon a results based criteria that is grounded in the numbers of arrests, conviction rates, quantities of drugs seized and stolen property recovered. These are the issues that now guarantee national newspaper headlines rather than the community based activities of the late 1980s'.

At the same time complaints about the attitude of police officers rose and the experimental policy of *zero tolerance* in Cleveland was, in part, discredited by the suspension of the head of the Criminal Investigation Department. Concern was voiced that officers may have improved detection rates through manipulation of crime statistics. Even worse were investigations into officers allegedly handing out controlled drugs to informants in exchange for information.

Despite this emerging context, politicians were apparently drawn to the strong rhetoric that *zero tolerance* invokes:-

'Tony Blair will call today for a policy of *zero tolerance* as part of a new law and order initiative. Under a "hot spot policing" strategy in 25 towns and cities, Police will be told to get tough on burglary, car break-ins, drunkenness and other anti-social behaviour'

(The Daily Telegraph, September 29, 1998)

These comments of the Prime Minister need to be juxtaposed with a different meaning.

'Zero tolerance is often misunderstood. It does not mean jackbooted Police officers dragging vagrants off the streets or sending shoplifters to the gallows.'

(Nick Ross, The Times 14th October 1998)

Ross makes a point by adding that 'many of the remedies to crime are not within the gift of the Police'. Yet it is to the Police that responsibility for enforcing *zero tolerance* will be delegated.

The model that Ross argues for suggests that crime can often be forestalled before it occurs by improving the quality of service; cutting costs, improving co-ordination, reducing duplication and being more professional at collecting and analysing data to discover crime patterns.

An aspect of *zero tolerance* that has been underplayed in the literature suggests that the fall in crime in New York was the result of a combination of factors, including changes in the drugs market and the de-centralising of operational power to the local commanders of the NYPD (New York Police Department). In Bowling (1996) Police Commissioner Bratton contends that it was the organisational changes to the bureaucratic structures of the NYPD that had the most impact on the fall in crime. Whilst this supported the view of observers such as Ross (ibid), politicians did not focus on this perspective. They preferred to talk in terms of combating anti-social behaviour through direct Police action.

In the United Kingdom attempts have been made to change the organisation and system of control of the Police including calls from within the service. Prior to and during the *Sheehy Inquiry* (see below) Sir John Woodcock, Her Majesty's Chief

Inspector of Constabulary made repeated calls for changes in the culture and structure of the Police service: -

'While it is making much progress, the service is in danger of falling behind public expectations'

(1991, p.238)

'The second [challenge] is the demonstration of *flexibility* in the approach to the management of the Service. I believe that parts of the present rank structure are inappropriate for the late 20th Century'

(1992, p.9)

'The Police Service is ripe for change and there is a chance that many old structures will be swept away'

(1993, p.7)

Between May 1992 and June 1993 the *Inquiry into Police Responsibilities and Rewards (Sheehy Inquiry)* examined deficiencies in internal management rather than the defects perceived in Police governance. The inquiry identified a top-heavy management structure, and called for the abolition of three ranks and more flexible pay structures. Rank and file Police (ranks to Chief Inspector) resistance to much of the report was swift and determined resulting in the then Home Secretary, Michael Howard, announcing in October 1993 that he rejected significant sections of the report, in particular the methods of administering performance related pay. He did, however, endorse the reduction in the number of ranks and the principle of devolving decision-making to basic command units.

The most immediate and visible effect then of the *Sheehy Inquiry* was the removal of the ranks of Deputy Chief Constable, Chief Superintendent and Chief Inspector.

Since 1993 these ranks have been gradually reinstated until, by 1999, the rank of Chief Superintendent was also restored. The reasons given in each case being that the spans of control for the remaining ranks had been too great. This has returned the Police to a structure that carries a minimum of nine ranks for police forces numbering from as few as 1,000 officers.

In attempting to alter the structure of the Police, *Sheehy* went straight to one of the most symbolic aspects of the Police organisation, linked to a series of rituals that sustained the 'structure' of the Police in its existing form for many years through deep-rooted behaviours. The symbols and rituals addressed here are those associated with the separation of rank within the Police. Certain symbols are easily identified and owe their origins to the quasi-military beginnings, the more obvious being the style of uniform and badges of rank. Most police forces, certainly those in the provinces, clearly distinguish between the ranks of Sergeant and Inspector, whereas Constables and Sergeants wear the same style of uniform with their force numerals clearly displayed (the only uniform difference between the two ranks being that a Sergeant wears chevrons). Inspectors and ranks above not only wear different badges of rank but the uniform is of finer cloth and different style. The Constable and Sergeant will wear blue shirts whilst the 'senior officers' wear white shirts (this particular distinction is gradually changing throughout the UK but certainly remains current for many forces). Also universal in the English and Welsh Police Forces is the practice of senior officers wearing flat caps, rather than helmets, and not displaying force numerals.

Many of the material symbols, such as car parking, salary, office size, the quality of fittings, secretarial support and even senior officers toilets, associated with rank are not so obvious to the casual observer but are common to all organisations that distinguish between employees' positions. In addition there are subtle distinctions

that serve to separate positions of rank, such as different retirement ages with those in the senior ranks being able to remain in employment longer than those at junior level, different expense scales and enhanced holiday allowances.

Ranks between Constable and Chief Inspector are known as 'federated ranks', these officers are eligible to join the Police Federation. Officers at Constable and Sergeant ranks are able to claim overtime payment for working beyond their eight-hour shift. On promotion to Inspector a salary increase is provided but overtime is not paid. Many of these officers will, however, be able, depending upon their duties, to claim allowances for the purchase and maintenance of private motorcars used in connection with their duties. If policing can be described as a profession then there is an argument that it comes at the rank of Superintendent (Greenhill, 1981) and officers of this rank may also become members of the Superintendents Association, another representative body. Assistant Chief Constables and above belong to the Association of Chief Police officers (ACPO).

To know the rules of conduct between officers of different ranks requires knowledge of their backgrounds and previous association. In general terms the following would be common. Officers working closely together on a small unit or in a department will often be on first name terms whilst in private or within their own group. Rarely, but occasionally, this will extend between officers separated by two ranks and this can often be traced to a long-term relationship, joining the force together, friendship etc. Protocols are improvised but on a negotiated theme that protects, when necessary, rank separation.

To those not familiar with these rituals a different meaning can be given. Colville (1985), interpreted the arrival of senior Police officers in full uniform at a Police Authority meeting as a display of power rather than a mark of respect for the Police

Authority. Power may have been part of the issue but equally as important was the notion of respect. Junior officers are drilled at training schools on the wearing of uniform and the correct rituals to be adopted. Uniform officers would rarely go inside a court, let alone give evidence, unless in full uniform, as a mark of respect to the Crown, not to usurp the power of the court. Detectives – even those working undercover – would normally give evidence when wearing a jacket with collar and tie. This is not the case on the continent but it certainly holds true for the UK.

One UK Chief Constable Richard Wells, had reached senior rank in the London's Metropolitan Police (Deputy Assistant Commissioner the equivalent rank of Deputy Chief Constable) on a number of occasions he had failed to secure Chief Officer posts. He was a very intelligent Cambridge graduate who had made considerable efforts to build links with the media and community groups. He also refused to allow the type of rank separation described above to interfere with his own values.

Richard was, eventually, promoted to Chief Constable of South Yorkshire where he regularly disarmed his junior officers by insisting that he, rather than they or an assistant, would pour coffee. He would go to great lengths to diminish his positional power whenever he was trying to build relationships or communicate effectively. He told us that promotion had been gained 'despite [Sir] John Dellow (then Deputy Commissioner of the Metropolitan Police) telling anyone in ACPO who would listen – 'good guy it's just a shame the way he [Richard] holds the rank'. Richard had (with some justification) thought that this was one of the major reasons why it had taken him so long to gain one of the top positions and it certainly ruled him out of returning to London as commissioner.

As a manager those around him in South Yorkshire respected Richard's vision and intellect. They also respected his integrity, but his senior management team also

knew that the behaviour described above – in the eyes of Sir John Dellow and some of Richard's own junior officers - diminished his office and authority and this led them to trivialise many of the changes he attempted to bring about. He literally did not act as a Chief Constable was expected to act within this type of organisation and the result was that he eventually faded into obscurity and retired having failed during six years in office to leave any lasting impression on the style of management behaviour – reinforced by the fact that his replacement was more comfortable with a traditional command and control style of management.

Changes to the political control of the Police have had a more lasting impact. Until the 1980's constitutional control of policing was reasonably well established, Chief Constables acted within wide discretionary boundaries and defined their own 'operational' policing issues. The Home Office and Police Authorities provided funding; both these bodies could and did attempt to exert influence. Whether such influence had any effect, largely, depended upon whether Chief Constable's supported their views and often whether or not they chose to use their 'operational' discretion as a means of avoiding such influence.

This situation effectively tended to shift the tripartite relationship and gave Chief Constables the opportunity of focussing the activities of their officers without necessarily the unqualified support of the Police Authorities or the Home Office. At best, therefore, the level of participation in the initiatives detailed here in the 1980's through to the mid 1990's was patchy and of short duration.

The relationship now appears to have shifted, and with it the flexibility of Chief Officers to select activity or choose to notice and define aspects of social behaviour as being of legitimate concern to the Police has been reduced.

The Police may define activity as being of legitimate interest but the Home Office and Police Authorities have developed their ability to influence and even forestall policing activity through financial restraints and a direct role in the career development of Chief Officers.

In the following section we detail discussions that took place between senior police officers attending the Strategic Command Course at the Police Staff College, Bramshill. These officers had all successfully completed the six-month programme and would soon be taking up Chief Officer rank posts. In essence, they formed part of the next generation of Chief Constables.

The experience and views of the British officers is given added support by the presence on the programme of a Deputy Chief (Ron) from a Canadian force. The discussions imply changes to the relationship of power and detail a range of controls being used to encourage Chief Officers to notice some activity and ignore other.

John 'The relationship that formerly existed - as a tripartite form of power sharing has changed. It used to be the case that Chief Officers could and did rationalise their own policy issues. Now we have much more of an interventionist Government and the pecking order is the Home Office, Police Authority and then Chief Constables.'

Robert 'Constitutionally the situation has not changed but....all Chief Officers either are, or will be, on short-term contracts added to which Police Authorities will be conducting annual appraisals of Chief Officers'

- John 'Annual appraisals that must factor in over 100 policing priorities set by Home Office Circulars, Home Secretary's letters and HMI Thematic Inspections.'
- Robert 'We are going the same way as Health and Education with the production of league tables'
- Ron 'Okay that can give you a difficulty as I see it [as a Canadian officer] you are being told to concentrate on low level crime, drugs, auto theft, youth and public order crime. Certainly that is the message that I took from the Home Secretary's speech at the start of this programme. In Ontario it can go a stage further because the Municipal Council can say you can have more Police officers but we want them engaged in traffic duty ticketing speeders because that is a revenue generator for the City'
- John 'Much of what we now do is judged against 'The 4 Cs' Challenge, Consult, Compete and Compare - a fifth one has been added Collaborate. Twenty years ago offences were investigated now the pressure is to judge the relative merits based upon compare and contrast'
- Robert 'In other words commercial crime involving a single theft to a value of £150,000 is just that a single crime. Twenty cars broken into in a car park is twenty separate crimes - there is no reward in the system for investigating the single offence based upon monetary value - even though individual officers would love to do so'
- Ron 'This is really where I came in - we ran an operation called 'Project 88' this was initiated by the Chief who decided that rather than deal with low level crime we

would target top level corruption. This had not been looked at before and it was not really understood where it was going. Anyway we start to get into corrupt officials, rigged contracts and the like. All of a sudden everyone is interested because we started to bring down some heavy weight politicians. The mistake that was made was not to recognise the consent line. There is a dynamic relationship between Honesty & Purity on one side and Corruption & Dishonesty on the other. The Police are expected to define the consent line with all the pressures on either side. We moved that line towards Honesty & Purity but without the consent, so even though these were high level crimes once it was realised what was involved they [the Police Service Board and Municipal Council] pulled the plug.

John 'How extensive was the problem?'

Ron 'We could have done nothing but this, you cannot believe just how far this thing stretched but once it was laid on the line people were scared to death of it. They just wanted it to go away, they were intensely interested in who was next to go down but in the end it was just too big to contemplate'

Noticing a pattern of social activity, labelling and creating an overlap of meaning - the essence of sensemaking - does not, so it would seem, necessarily mean that the conclusion will be welcome. It may be possible to accentuate the importance of timing by suggesting that the more politically sophisticated actors could do a lot worse than gauge the sense of occasion of their prospective audience. Story telling connects meaning, it does not replicate meaning - we each take from it something different.

The stories told by Ron became too problematical for the audience to support once meanings were extracted and the ramifications of this piece of sensemaking were realised - for which the interests of a wider public audience may not have been best served, different timing and a different sense of occasion may have led to a different outcome.

The stories about *zero tolerance* on the other hand seemingly presented meanings [combating rising crime] that were just too attractive for some of the audience to pass up - for which the interests of a wider public audience may also not be best served.

Concluding Note

A number of lessons can be learnt and connections made with sensemaking from this case study.

The lessons for leadership are that adaptive change can be a slow and precarious process which can be completely undermined and lead to an overreaction if what is thought of as a reversal of behaviours is in fact the re-enforcement of a deeply held pre-existing set of behaviours (the change from service based behaviours that had not taken root to 'zero tolerance'). Leadership needs to understand the context in which they are operating and the true nature of what they are attempting to influence.

In order to complete the process of adaptive change and make sense for people there is more to the process than changing knowledge *or* language *or* symbols *or* behaviour and yet this is the route chosen by some in the role of leadership.

Modernising: Foreign & Commonwealth Office Services

'Change, change, why do we need change? Things are quite bad enough as they are'

(Lord Salisbury)

The basis of this case study is the way in which senior management of a department within the Foreign & Commonwealth Office (FCO) finds itself caught (and caught out) by a shift in its environment to which it is seemingly unable to respond. Our interest was taken not so much by the nature of sensemaking (although this was evident) it was more the surprising difficulty the organisation had with translating sensemaking into recognisable activity, despite an apparent wish to do so.

We look at the history and context of change attempts within the Civil Service and then link this to ongoing passages of activity by our actors within a five-year period (1995–1999). The activity is multi-layered and seemingly paradoxical as long awaited shifts in policy emerge whilst our actors continue to wait and then seek to perpetuate the very behaviours they would wish to change. Told retrospectively the events recounted form a simple and logical sequence of activity, taken in real time actions were far more haphazard and confused - it is a sense of this confusion that we attempt to convey.

'All the efforts of the Foreign and Commonwealth Office are directed towards ensuring that the United Kingdom and its dependent Territories are secure and prosperous and that British Nationals can live in a decent and stable world..... We are committed to securing maximum value for the money granted by Parliament'

(Malcolm Rifkind, Foreign Secretary'1996
Foreign & Commonwealth Office Annual
Report)

Few within the FCO would argue about its purpose, indeed it has changed little since the 17th century when colonisation of the former British Empire began. The structure is very hierarchical the explanation for which is given as the number of overseas missions required to be headed by a senior diplomat and attendant support staff.

- The FCO comprises 6,050 UK and 7,440 locally appointed staff
- It has responsibility for relations with 183 countries and 11 Dependent Territories
- The FCO utilises 13 Civil Service grades from Support Grade 2 (SGB2) through to Diplomatic Service 1 (DS1)
- The grade structure is split between Diplomatic Staff (designation DS) and Home Civil Service (designation HCS), in the main the DS staff are appointed to foreign postings

The grading structure in the Civil Service broadly follows a numerical banding, the most senior posts being at grade 1. The FCO grades up to DS4 equate to one band below the Home Office equivalent - e.g. DS4 = HCS5. DS4/HCS5 is also the level at which staff are graded as Senior Civil Service (SCS), this grouping has separate pay review procedures and contractual arrangements.

Each of the grades listed is subject to additional separation that will indicate seniority within grade or specialist/technical roles. The complexity of the grading structure is such that 110 different designations are represented within a total of 6,014 staff. Some 450 are to be found in the ranks of the Senior Civil Service grades, of these some 420 are diplomats - Ambassadors, First Secretaries, Directors and the like.

As recently as 1992 Oxford and Cambridge University graduates accounted for 79% of successful fast stream (to Grade 7D/8) applications; all fast stream entrants within the FCO are inducted into the Diplomatic Service.

The Foreign & Commonwealth Office comprises sixteen divisions called 'commands' each headed by a director. These in turn report to the Board of Management led by the Permanent Under-secretary (PUS) and his deputy the Chief Clerk.

Whilst the structure of the FCO has not changed for many years the second of Rifkind's quotes (above) is a relatively new requirement of all Central Government departments and agencies that has its origins in the early 1980s.

Colville & Tomkins (1990), Colville, Dalton & Tomkins (1993), Colville & Packman (1996) note, in their examination of change within the Customs & Excise Service, how successive Governments since the election of Margaret Thatcher as Prime Minister in 1979, have demonstrated that they are committed to securing maximum value for the money granted by Parliament through a series of Government White Papers: -

The Financial Management Initiative (1982)

Improving Management in Government The Next Steps (1988)

Competing for Quality (1991)

The Role of The Civil Service (1993)

Private Finance Initiative (1993)

The Civil Service: Continuity and Change (1994)

The Civil Service: Taking Forward Continuity and Change (1995)

These Government publications have recurring themes of encouraging cost reduction through the promotion of effectiveness and efficiency. Various achieved through a range of initiatives that Dowding (1995), Oliver & Drewry (1996) describe as a process of chipping away at the established Civil Service until it's managerial techniques better mirrored those in the private sector. The underlying ideology being that market forces would, through competition, drive the process of greater efficiency.

This pressure for change was overlaid in the late 1980s and early 1990s when the Civil Service was rapidly and radically transformed from a straight-forward hierarchical line structure to a complex form, with a core of policy-making civil servants in Whitehall, surrounded by a periphery of policy executing agencies.

By its own admission, many senior managers within the FCO had resisted much of the change evident within other Central Government departments. Certainly the Next Steps programme of the 1980s, and the creation of executive agencies had left the FCO unscathed. Evidence eventually started to emerge in the mid 1990s that changes elsewhere in the Civil Service were influencing the thinking of some senior managers, albeit much later.

Some would feel that Central Government had failed to provide a clear understanding of what was expected of civil servants: -

'It appears from this [Public Accounts Committee's] report that a major issue, arising from the Report, concerns the extent of misunderstanding among *public* servants about the quasi-private sector environment into which they are moving; rather than pinpointing - and blaming - inappropriate moral stances, held by private sector

incomers. This misunderstanding may stem from politicians' inability or unwillingness to spell out the meaning and implications of the new environment. Thus, some public servants' inaccurate perceptions of private sector values and practice may have led them into actions, which are unacceptable in either code. At worst, a minority may have sought deliberate advantage from a changing values system, and been found out - perhaps not all the 'spivs' have been imported into public services management some of them were already there!

(Harrow & Gillett, 1994, pp. 4)

In 1995 Gillian Archer, Head of FCO Management Development initiated a series of change management workshops for the middle management group within the General Services Command (the largest of the 16 FCO divisions comprising some 1,800 staff).

'I have serious concerns for our people. We have long-term officers who are being expected to change that's okay. But what are we doing to support them - how do they cope, how do they deliver these changes to their own staff. We need to identify how other successful organisations expect their managers to behave'

A training needs analysis followed and this highlighted a number of behavioural attributes where the management group was thought to be deficient; measured against what were thought to be successful commercial organisations: -

- Little use of initiative
- Plenty of support for officers but little challenge or holding to account for performance

- Autocratic management style
- Lack of flexibility
- Poor communication skills
- Reluctance to work across departmental boundaries
- Top down decision-making

A three-year roll out programme of 22 workshops followed in which some 300 managers at grades DS9 to DS5 (or HCS equivalent) took part, using the training needs analysis as the development focus. The programme was entitled *Managing In a Changing Environment (MITCE)*.

The responsibilities of those attending included heads of newly established business units, those conducting bench marking and market testing of services, managers of support functions and diplomats on home postings (typically of 2-3 years duration).

At appendix 'E' we list a summary of the comments made by delegates during the first and the last *MITCE* programmes in January 1996 and November 1998 respectively.

Managers were asked under five broad headings: *the change process, staff, management, skills and direction* to comment on issues that impeded development in the FCO.

It will be seen that there was commonality in the comments made by delegates despite the 33 months separating the workshops. Many could identify new structural alterations, the re-naming of departments, examination and reporting of costs. Little evidence was found to confirm any change in attitude or behaviour amongst senior

managers. Over a period of time this created resentment amongst staff who felt that the content of the *MITCE* workshops did not fit the organisation and worse still attempting to enact behaviours discussed within the workshops could have endangered careers.

Whilst this period covers a limited period of time, the information gathered bore out anecdotal evidence that the FCO had largely resisted intervention by Central Government. Below we note conversations that took place between members of the senior management team of the General Services Command in response to feedback from the *MITCE* programme as it reached its final stage of delivery in November 1998.

Peter 'We have to decide what we can do within the command that does not have to be given the all clear by the Chief Clerk'

George 'There are a lot of people out there that are looking at us - we have built this up but we have to ask whether we have delivered'

Janet 'It is a problem - fortunately we can do quite a bit but only at the micro level. One of my officers put together a really good paper that went to the Chief Clerk. She outlined much of what we have heard, positioning it against best practice in other Civil Service units. He wrote over the top; 'interesting report but I do not feel that it reflects widespread feeling in the office'

Susan 'That is not surprising, the PUS always says that we are a special case and that he sees no need to change the way we work. Last week I heard him say that Rifkind (the former Foreign Secretary) had told him that in his view we

were a special case and the real problems came from the Treasury'

Peter 'Well that makes sense but it still means that we are telling our staff manage this way or that way but do not get caught'

Janet 'No it does not! It means wait for the right opportunity - then run with it, until then we have to be honest and tell people where we are at with this'

Gillian 'Sooner or later the dam will burst. What he [the PUS] refuses to understand is that he is just playing into the Government's hands. They will, eventually, just replace the lot of them with their own people'

Unknown to the managers above, shortly after election to office in 1997, Robin Cook the incoming Labour Party Foreign Secretary, had already given forewarning of a potential new agenda: -

'The Chief Clerk has said that Cook (Foreign Secretary) has told the PUS that in line with other departments he wants specific proposals on how we intend to change our management style. He has also said that he wants to see what those on the ground think. He [the PUS] may not like it but he knows he has to roll over; the Cabinet Secretary has been put on notice by the PM that this is not going away. There is no way out this time and 'call me Tony' (the Prime Minister) is not going to tolerate talk of special cases'

(Matthew Phillips Head of FCO Change Unit)

In late 1998 the PUS formed the 'Foresight Group' a project team tasked with soliciting feedback from FCO officers throughout the World. It reported back in November 1999 with a comprehensive series of findings (see section 1 'key findings at Appendix 'F') that considered how the office needed to function and how it should manage its staff.

To recap, prior to 1999 the public focus of Government on public service reforms were based on outputs: cost, efficiency and effectiveness. This had been reflected in a series of Government White Papers (listed above). Whilst many Central Government departments had devolved much of their function to agencies, or even privatised their function, the FCO had avoided such actions. In response to the calls for output reform (on a fiscal agenda) they had variously introduced business units, bench marking and market testing of services and even labelled some activity as 'business process re-engineering'. However senior managers of the General Services Command and indeed their staff had believed, despite the change of labels and the introduction of new processes, there had been little change in management behaviour. Neither had permissions for such changes been given by the PUS and the Board of Management, indeed they had hard evidence that such change was not to take place citing the squashing of internal reports that recommended alterations to structure and procedure.

Reform of public sector organisations changed with the publication of the White Paper *Modernising Government* (March, 1999). After eighteen years in opposition this was a formal opportunity for the Labour Government to make a profound policy statement that received widespread publicity and comment from public sector organisations across the spectrum, from defence to health, social services and the Police. For the first time the focus became the way public bodies managed.

'We live in an age when most of the old dogmas that haunted Governments in the past have been swept away. We know now that better Government is about much more than whether public spending should go up or down, or whether organisations should be nationalised or privatised. Now that we are not hidebound by the old ways of Government we can find new and better ones'

(p. 9)

'*Management:* over the past 20 years, various management changes within the public service have improved value for money.....But too little attention has gone into making sure that policies, programmes and service across the board are devised and implemented in ways that best meet people's needs, where necessary by working across institutional boundaries.

(p.11)

The theme was continued at an individual level calling for less 'risk averse' and more inclusive management that focused upon '*public service users*, not providers' (p.6).

The White Paper also made it quite clear that all departments and agencies were to walk this talk. The introduction by the Minister for the Cabinet Office – Jack Cunningham – summarised this as follows: -

'To improve the way we provide services, we need all parts of Government to work together better. *We need joined-up Government. We need integrated Government* (emphasis added). And we need to make sure that Government services are brought forward using the best and most modern techniques, to match the best of the private sector – including one-stop shops, single contacts which link in to

a range of Government Departments and especially electronic information-age services'.

(p. 5)

In April 1999, coincidentally, but nevertheless, shortly after publication of *Modernising Government*, the General Services Command was re-designated as FCO Services (FCOS) and the process began of separating out non-core support services from the 'main' FCO office. This can be viewed as the delayed reaction to the structural change agenda of Next Steps et al. (detailed above). Certainly the majority of those serving in what was now FCOS were not part of the diplomatic service, the minority that were held the right to transfer back to the main office.

Opinion on the viability of a group of different service providers coming together as FCOS varied. Many saw the move as distancing them from the 'real' FCO and private opinion from the board was that this was a move by the PUS and Management Board to sacrifice its support activity as a response to the continuing call for efficiency savings and reforms (the agenda based on outputs), whilst protecting its policy-making status as a Central Government department.

In November 1999 the *Foresight Report* (see key findings Appendix 'F') was published and, following internal circulation, the PUS forwarded a copy to the Cabinet Secretary and the Foreign Secretary. The research for the report straddled the publication of *Modernising Government*, yet many of the themes paralleled the modernising agenda and indeed went beyond it in areas such as: flexible working, taking responsibility and relationships with ministers. To many in the FCO, it came as a shock that the report was published but more so that the PUS came out in public support of it.

'There is no going back now you would think that modernising was his [the PUS'] idea! I am not sure if it is for real or not but he is certainly saying the right things. In fact he is asking how we can speed up the changes.'

(Jim Rogers – Director, Medical Welfare)

Meanwhile the directorate of FCOS was deciding how to formulate its strategic plan for submission to the Chief Clerk following the department's formation. To assist with this process, consultants were engaged to review the first draft. A key aspect of the debate being whether to mention the possibility of FCOS separating from the FCO by acquiring 'executive agency status', thus freeing up their options to create a semi-autonomous enterprise with far greater viability and flexibility: management, pay and development of staff with options to sell services to a wider market.

Gordon (Head of Finance)

'In many ways it would be the right decision - it may happen anyway at the prior options review in 2003 (evaluation point of FCOS) - that will be a decision for the Board of Management'

Irving (consultant)

'Where do the staff think that you are on this?'

Donald (Strategic Change Unit Manager)

'They don't'

Martin (consultant)

'They don't what?'

Donald 'It is not something that they would be told about at this stage'

Martin 'Well maybe not but there has always been a lot of discussion amongst staff about where the department is heading wouldn't this be a good opportunity to let them know one way or the other?'

Gordon 'The truth of the matter is that the Board probably think that we should go the executive agency route but I cannot see Ray (the CEO) putting that in his executive summary'

Irving 'Who writes the summary?'

Donald 'I do'

Irving 'Well if we are going to write a draft for the Board to consider how about putting it in and seeing how Ray and the others react?'

Donald 'Its worth a try - not sure what the Chief Clerk or the PUS might think though'

Martin 'Glad you mentioned that - we have read your first run at the strategy document - to be honest it tells us what you have done but not what you are going to do'

Irving 'You could even say that this strategy has no future'

Gordon 'What do you mean?'

Martin 'Well there is no mention of the Modernising Government White Paper and no apparent relationship to the 'modernising agenda', which seems a pretty pivotal Central Government concern'

Donald 'Ah - I forgot about that, I have seen it of course, but no it's not there'

Irving 'I think you might find that it gives you the platform to put forward the executive agency idea, provide a coherent business case and commit to being in a position to convert to executive agency status at Prior Options in 2003'

Martin 'This way you could consider the executive giving a public commitment to the staff, at least they will know what you want to achieve over the next three years'

Over the course of the following month a draft strategy document was written by the consultants and sent to Donald at FCOS. The CEO's executive summary was drafted to include 'aiming for executive agency status by the time of the Prior Options Review in 2003' and extensive reference made to how the department could be managed in line with the 'modernising agenda'.

There then followed a further meeting with the consultants.

Martin 'Did you circulate the draft that we prepared?'

Donald 'We circulated it all right - it frightened some of them to death, we were told 'under no circumstances are you to show this to anyone'

Gordon 'The overall response was fear mixed with excitement'

Donald 'Some of those from former General Services Command with 'real' business units - printing transport etc welcome the move others e.g. security, procurement have been told to join the Services group - they are confused and do not

think that they have businesses or that they should be part of this process'

Irving 'Just why did you decide to write the plan?'

Donald 'We are obliged to write one. The Board thinks that there is a need to convince central FCO they see us with 1,800 people. 'Lots of people must have lots of cash to cut' - put all the support costs in one place then remove the budgets and give them to the customers (central FCO), then what do we do?'

Gordon 'We are professionals we can create funds for FCO - selling to Whitehall - some want to sell to Europe and others but there is a sense of frustration we are being lined up as a business but not as a business'

In November 1999 the FCOS executive met (previously described above as the senior management team of the General Services Command with Ray the CEO) to discuss their response to the draft strategy document, by this time all had had access to the *Foresight Report*

Ray 'Okay it seems to me that right thing to do here is go back and decide whether we actually want to go for executive agency status - is it the right thing for us?'

George 'I am not sure that we can just do that - what if we say yes what about the Chief Clerk and PUS?'

Gillian 'There are some that would rather this did not happen at all'

Ray 'Well it has happened we are operating as FCO Services whether we like it or not'

Susan 'What happens if we do nothing and just keep our options open?'

Janet 'What happens is that in 4 years time they tell us what we do'

Gordon 'I do not know if you are aware but most civil servants are now operating as agencies they find that they have much more flexibility'

Ray 'Is it right for us?'

Peter 'I have a lot of people who are asking to be let off the leash they want this to happen and the sooner the better'

Ray 'Lets hold it there we have circulated the papers - we will take a vote based upon 'is seeking executive agency status the best way of developing FCO Services?' where are we on that?'

There then followed a process where each stated a case for or against the proposition. The result being a unanimous vote to aim for executive agency status.

Ray 'That was clear enough - we can now say - whatever the outcome that we feel this is the right way to go, the next issue is how we go about it, I am still not sure that we can put this on paper'

Janet 'Why not?'

George 'This is major change - I do not know what the Chief Clerk or PUS would think about it'

Ray 'It is a matter of timing - when is it right to go public on something like this?'

Janet 'The time is now - it has never been a better time - the PUS has gone with the Foresight report - he has endorsed it and sent it to the Cabinet Secretary. We should make the most of it and run off that agenda - this is change for the benefit of the office'

Peter 'Janet is right you know we can actually use the 'modernising' agenda to take some control here'

From that point onwards the tone of the meeting changed and became much more expansive as the directors developed a range of ideas that made the strategy plan far bolder than the consultants had previously drafted.

A first submission to the Chief Clerk was accepted within two weeks without amendment and then on 15th December 1999 the Cabinet issued a press release (Setting the agenda for the Civil Service of the Future CAB 307/99) referring to Sir Richard Wilson's *Report to the Prime Minister on Civil Service Reform*.

This report was built up from a number of sub-group reports prepared by groups of senior civil servants and these included *Vision and Values* and *Performance Management*.

The Report was clearly a follow up to *Modernising Government*, but whereas the White Paper was very much a Government publication giving political level direction, this latest report came from within the Civil Service and in the name of the Civil Service. It sought to interpret and put specific action against the more general concepts in *Modernising Government*. The reform programme sought to achieve the following over the next 3 – 4 years (paragraph 2.):

- Stronger leadership with a clear sense of purpose
- Better business planning from top to bottom
- Sharper performance management
- A dramatic improvement in diversity
- A Service more open to people and ideas which brings on talent
- A better deal for staff

Vision and Values

The Report summarises these as follows (Annex A):

The Civil Service – Making a Difference

Our aim is to help make the UK a better place for everyone to live in, and support its success in the world. We want to be best at everything we do In support of successive administrations, we will: -

- Act with ***integrity***, propriety, and political impartiality, and select on merit
- Put the ***public's*** interests first
- Achieve ***results*** of high quality and good value
- Show ***leadership*** and take personal responsibility
- Value the ***people*** we work with and their diversity
- ***Innovate*** and learn
- Work in ***partnership***

- *Be **professional** in all we do*
- *Be open and **communicate well***

As general statements these flowed fairly naturally from the concepts of *Modernising Government* and they were by this time echoed in the FCOS Strategic Plan.

The *Vision and Values* report began the process of interpreting these into actual behaviours and in its Annex 'B' it included a series of positive and negative behaviours under each of the above headings - (see Appendix 'G').

Performance Management

The aims for business planning are included in the specific *Performance Management Report* (Paragraph 5) that sets out 5 building blocks.

1. Bold aspirations: the first step is to define and relentlessly communicate a compelling and stretching aspiration for the future. The new aims and objectives, which are set out in Public Services Agreements (PSA's) by all departments, must be part of this process. It is critical that the aspirations are clear and consistent over time. Bold aspirations serve as the rationale for aggressive targets and goals.

2. Long and short-term targets: the next step is to translate these aspirations into measurable long and short-term targets against which performance and progress can be measured:

- Long-term targets are specific 3-5 year targets linked to the aspirational aim and objectives. These are the targets which should feature in the PSA's

- Short-term targets are annual, derived from the PSA targets, and should be cascaded to an operational level. These must be quantifiable and measurable, or measure the completion of a specific task.

The system must be integrated and related so that the achievement of short-term targets contributes to the achievement of long-term targets, and targets contribute to the meeting of aspirations/objectives.

3. Ownership and accountability: once the overall direction and targets have been set, organisational ownership needs to be established. Every target, both long and short-term, must be "owned". This can be done either individually or collectively (for example, by teams or other organisational units) but must result in specific responsibilities for delivering each target. Ultimately, individuals must feel accountable for delivery.

4. Rigorous performance review: once accountability for delivering against individual long and short-term targets has been clearly defined, a rigorous performance monitoring and review system is necessary. To be effective, performance reviews must exhibit the following characteristics:

- Personal involvement for all managers including the most senior managers in the organisation
- Ultimately reports to the political leadership
- Be regular

5. Reinforcement/incentives: reinforcing mechanisms must be in place, encompassing an appropriate set of positive and negative incentives. In other words, you need a consequence management system, with positive consequences

for success and negative consequences for failure, however they might be defined.

There is obvious resonance between the data we collected from managers on the *MITCE* programme, supported by the executive of the General Services Command (later FCOS) in November 1998, the *Modernising Government* White Paper of March 1999, the *Foresight Report* of November 1999, the strategic statement of FCOS and Sir Richard Wilson's *Report to the Prime Minister* in December 1999.

Within the space of two years the immediate context for FCOS had changed and retrospectively the chronology of events listed above makes sense - that is - the *result* makes sense. However having sought and supported change in structure, management style and behaviour, the senior management team found great difficulty in interpreting the cues around them into activity.

- i) Only after consultant intervention did the senior management team grasp that, by declaring their desire to prepare for executive agency status, they merely met long-term structural changes, driven since the mid 1980s by Central Government, to which the PUS and the Board of Management were now providing a delayed response.
- ii) After calling for management reform they did not notice when the opportunity arose, through the *Modernising Government* White Paper and subsequent agenda, or were unable to act upon it.
- iii) The significance of the *Foresight Report* or more particularly the apparent 'U' turn by the PUS on reform appeared not to have been

linked to the change of focus by Government from outputs to management in a sufficiently compelling manner.

It is outside our knowledge why the PUS changed his policy on reform - we can surmise that the FCO had resisted structural change longer than all other Central Government departments. Although the various Government initiatives had been met with symbolic - though short lived - adjustments, the creation of business units and the like, we can further suggest that the PUS and the Board of Management were sufficiently astute to realise the folly of being seen to block the personal agenda of a new interventionist Prime Minister and Government. The quotes from Peter and Matthew (below) give one but not the only possibility for this situation.

For our actors - they were in danger of being badly adrift from the new agenda. Publicly - this would have reduced their currency in the eyes of the rest of the office and potentially had them labelled as resistant to the very changes they privately sought to bring about. It might also have deprived them of the opportunity to enact behaviours they had long discussed.

From our position the most interesting aspect of this study is the apparent failure of these managers to notice the importance of cues (the time to act) in a changing context or at least move away from an environment of which they were critical despite explicit permissions being granted.

In order to clarify this issue we revisited two of our actors, Matthew Phillips Head of FCO Change Unit and Peter Dowding Head of Conference and Visits Group. We addressed what appeared to us to be unresolved issues: -

Q. "How is FCOS viewed by the FCO main office?"

Peter - 'Patchy, CVG [Conference and Visits Group] he likes but opinion of Ray [CEO - FCOS] is low and this clouds his view'

Matthew- 'Ray has created the Balkanisation of the FCO no one wants to go to FCOS with him there'

Q. 'Why did the PUS do an apparent 'U' turn in relation to his views on the modernising agenda when very clearly he had blocked such initiatives only a short time before?'

Peter - 'Really the changes in the people around him he was being told by so many people in the office and Cook's [the Foreign Secretary] team that he had little choice. There was in the end just an overwhelming depth of feeling that he had got it wrong and the penny dropped.'

Matthew- 'He was told by the Cabinet Secretary - 'this is your last chance saloon, if you not shape up you are dead' He has another three years to go and wants to go down as the man who took the FCO into the new millennium. If nothing had changed Cook would have made a direct appointment so there was no way the PUS would have resisted change any further'

Q. 'Why despite making a public commitment to achieving agency status has there been little or no signs of activity from within FCOS?'

Peter - 'That's not quite the case we [CVG] think that we should be an agency in our own right so we are carrying on anyway - setting up new IT systems, bringing in training, changing the structure. The Language Training Department are doing the same. As far as the rest are concerned Ray will not spend any budget unless the PUS gives permission even though it is his budget. The PUS asks for a 3% efficiency saving so that is what Ray delivers - he keeps the same structure but does not fill the posts. There are no resources in the system to deliver change and keep going. To Ray it is a master servant relationship he does what he is told so he puts us last even though efficiency can be achieved by different means i.e. if he changed the structure and improved the systems we would be more efficient. Ray went to the Command Briefing and showed the PUS the FCOS organisational chart - the PUS said 'why are you still operating in silos?' Ray waffled for a few minutes and said we would be changing soon but the PUS just cut him cold and said '*when* - just tell me *when*'. Now we are in a situation where Ray is just getting involved in projects he has given up on the strategy every time he asks the PUS he says no what he does not see is that its his budget and he has to call the shots. He even went to the PUS to ask if he could run a first year anniversary of the establishment of FCOS it would have cost no more than £3k and we could have used that for marketing our services but because he asked he was told no'

Matthew - 'We know about Ray - as for the others they are putting up all sorts of reasons [not to act] - finance, systems people, all they do is keep coming up with more lists of things they need. I think that some of it is that they fear success

almost as much as failure so they do nothing as they do not know what it would be like and what it would mean for them'

Whether Ray did not realise that this time the game had changed and PUS actually wanted to see changes in behaviour, or that he simply could not break away from a command and control style of relationship we do not know. We can, however, see that by being locked into a more limited repertoire of behaviours he was viewed as being out of fit with the context of the FCO as it had been re-defined.

Concluding note

It appears to us that leadership of the FCO had become detached from the senior management team of FCOS. Even though a consensus for change appeared evident the management team faltered and stumbled at the notion of *taking* the first steps (even though quite keen to talk about it). Our understanding of sensemaking is enhanced by the knowledge that sensemaking may not always result in action and (as we shall suggest later) *thinking* action and *doing* action are not the same thing.

Originalright or copyright: *EMI Recorded Music*

This case study looks at the issues associated with copyright protection as it affects one of the largest five music companies in the world - EMI Recorded Music.

Our interest in this organisation was taken in two sensemaking areas:-

- The way in which organisation design can assist the flexibility and willingness of actors to challenge/change existing assumptions. This is highlighted by the negotiation of meaning to determine whether one breach of copyright (parallel trading) is good for business or bad for business, impacted by the sense different factions make of discrepant cues – good for export or bad for import
- The apparent speed and fluidity with which this organisation was able to commit to a radical joint venture based upon its understanding of a changing environment

Copyright issues are not as straight forward as they may first seem as songwriters, publishers, artists and producers will all hold a form of copyright that entitles them to a share in the royalties due through the sale or public performance of any given material.

Record companies set out to own copyright for as long as possible,

' ...because the only assets a record company has are its copyrights.....beneath all the glamour of dealing with rock stars the only value lay in the intellectual copyright in their songs'

(Branson, 1998,p 137)

Protection of copyright has become increasingly difficult for record companies as technology has improved. The method of recording sound, editing, producing, formatting, manufacturing, distributing, accessing, purchasing and playing have undergone significant change in the last 30 years. If we fast forward from a seven-inch vinyl record to a multi-channel video and audio DVD, and then overlay changes in society and expectations of the customer base, those changes become even more stark.

Music is a truly global product - in sound at least it can be released on one day and heard around the world the following day. It is this very speed and the methods of delivery that both create demand from a public that hears music, then wants to acquire (not necessarily purchase) and produces the highest levels of anxiety for the industry. Much like any other successful brand (for that is what The Beatles, the Beach Boys and Rolling Stones are) popularity creates a 'must have' demand from a large section of the buying public drawn to that particular material.

Knowing this, those involved in copyright infringement seek to exploit the demand by creating faster or cheaper delivery - or indeed access to exclusive material not yet released to the legitimate supply chain.

The following are the common types of deliberate infringement (there are many other contested areas of accidental or contractual infringement) of music *copyright*: -

- Counterfeit - often sophisticated copies of original products in cassette or CD format where attempts are made to reproduce artwork and packaging in order to convince the public that they are purchasing an original copy

- **Pirate** - the unauthorised duplication of original material, often in a format not previously released - e.g. a compilation of tracks from different artists or different albums. No attempt is made to replicate artwork and it will be obvious to the purchaser that this is not the genuine article
- **Bootleg CDs** - unauthorised recordings made at concerts or by technical staff at recording studios. These also include unreleased material that is 'leaked' into the market
- **Grey market or parallel imports.** This relates to genuine product that is sold in designated territories but re-supplied back through the unofficial market to the country of origin, taking advantage of discounted rates in a developing market or currency fluctuations
- **MP3 digital downloading,** this is the method by which music is transmitted across the Internet. It has increased the range of pirate opportunities by giving access to music through illegal WEB sites, such music being then reproduced onto CD format and copied by use of CD replicators

In terms of scale it is estimated that counterfeits and pirate product cost the music industry upwards of \$7 billion per year. In one case the singer George Michael was due to release a new album on the Virgin label only to find that a pirate copy was for sale on the streets in Poland 2 weeks before the release date. Furthermore, this product bore the logo of an organised crime syndicate - as a deterrent to other organisations not to encroach on their pre-emptive 'rights' to the pirate version of the album!

Protection of copyright and the prosecution of those that infringe take up a considerable amount of record company effort and keeps legions of lawyers employed.

Once the contract with a particular artist has expired they have the freedom to sign to a new label, leaving the previous company with the catalogue produced during the contract period. The failure rate of new acts is high, however, once an artist has established a worldwide following, the bidding for the copyright to future material becomes frenetic. In 1991 Virgin won the bidding for a one-album deal with Janet Jackson at a cost of \$25 million. Although the material had yet to be written, Virgin based their decision on the fact that Jackson's previous album had yielded more top five chart singles than any other album in history and that the number of the next album that could be sold was a predictable calculation to make.

In this way Virgin based its bid - not on the quality of the future material - this was unknown - but rather on the strength that the public would buy on the basis of her previous success. Whilst this was seen as a radical and huge risk, (\$25 million for one album) had Virgin offered, say \$50 million, for a five album deal, they would have taken more risk as the quality of the next album would have had assured sales, but, if it proved a critical failure, that would have greatly reduced the potential sales of future material.

At the time of writing EMI Recorded Music was in the process of merging with Warner Music, bringing together the largest music companies in the UK and USA with joint revenues of \$8 billion and earnings of \$1 billion. The rationale put forward for the merger being access by Warner to increased catalogue, including the Beatles and the Rolling Stones, but more significantly, the link that this would create following the AOL - Time Warner merger.

'The history of the record business has always been one of take-over and consolidation, but what has happened during the past two years has been of a different order entirely. This is not just because the big have grown bigger, but because technology is transforming the importance of size - and content. From the moment music was first digitised, it became '*content*' that could be squeezed 'down the line' alongside news, sport, movies and other forms of entertainment'

(Music Week, January 2000)

It was the prospect of not having sufficient *content* or the ability to send it 'down the line' that appeared to create the logic of the merger. However both the size and technological logic of the deal was pushing the industry and the regulatory authorities into new territory.

'It is making Government's brains ache...Some executives involved in the AOL, Time Warner and EMI deals argue that the competition authorities are intimidated by the complexity of the issues and the uncertainty of the new technologies'

(Financial Times, 5th September 2000)

As this merger was underway, so the emphasis on protecting copyright became more of an important focus for EMI, in order to protect its assets and profit margins but equally as important, to protect its credibility as custodian of those assets.

Here we review two aspects of copyright infringement - how the company started to change its policy and attitude towards 'parallel imports' - which affect profit margin - and 'bootleg' releases - which affect credibility.

Both of these categories had caused concern for many years and certainly executives regarded them as irritants but they had also been regarded as an inevitable and insoluble part of the business. They had voiced concern and displeasure and the 'need to take positive action' (Senior Vice President EMI), which resulted in memos to staff and anti-piracy units of the trade associations.

Parallel Imports

Music product is broken down into two categories for the purpose of defining its market place: -

- Local repertoire - where the customer base will be drawn from the country of origin
- International repertoire - where the customer base will be global

In order for record companies to 'break' new territories or sell into under developed countries the price the product is sold to dealers varies widely. The dealer price in Indonesia might be as low as \$4 whereas the dealer price in the UK might be \$16 for the same album.

Whilst this price differential is an extreme, it serves to demonstrate the price variations that are available. Such price variations can also widen with fluctuations in currency. Those involved in the unauthorised trade therefore seek to purchase international repertoire in the less expensive territories, and then import it into a country where it can be sold through secondary retail outlets for less than the authorised outlets.

In the UK there are offences under the *Copyright, Designs and Patents Act 1988* and the *Trade Marks Act 1994* for sound recordings which are licensed for certain territories outside the European Union (EU) to be imported and sold in the UK. Profit margins tend to be high but although Customs & Excise officials have difficulty in identifying such product (often identical in appearance) the illegal nature of the trade tends to restrict the activity to a minority of dealers prepared to be prosecuted if caught.

Within the EU price differentials are still maintained but in themselves they are not normally sufficient to warrant moving product between territories. What does makes this trade viable is the combination of the local dealer price, combined with taking advantage of currency fluctuations that move faster than the re-alignment of the record companies, e.g. the dealer price in Germany might be fixed at 24 DM based on an exchange rate of £1- 2.40 DM. If sterling strengthens to £1- 3.20 DM the relative cost to an importer drops to £7.50 from £10, giving sufficient margin to make this a worthwhile enterprise.

As the EU is a free trade zone it is not possible, under European anti-trust legislation, to outlaw this activity and the only controls are the contractual arrangements for dealers to supply product within the official retail market. This is widely ignored and results in a two-tier trade that undermines the official retailers who complain about independents undercutting their business. In the UK it is estimated that 10% of all sales are based on product that has been sourced from this market.

Cautious of the anti-trust law, record companies tend to refer to both EU and non EU parallel importation generically as 'imports', relying upon the illegal activity for sanction but actually attempting to restrict supplies within the EU by using internal discipline.

In keeping with other global companies, sales targets are separated into geographic zones and pressure to meet these targets is intense. Not only in order to drive profitability but also market share, details of which are published in the trade press on a weekly basis. Market share and size is also thought to create credibility and attract major artists to successful labels.

Because of the need to generate sales 'Imports' are seen at one and the same time as both a scourge to the overall position of record companies (loss of sales to the official retailers who are relied upon for driving most of the profitable business) and, unofficially, as a necessary tool for local managing directors attempting to meet sales targets.

By way of example the UK sales department of EMI Records will sell to dealers who then supply the local market. Some of these also export product to continental Europe knowing that the product is destined to return to the UK as an 'import', undercutting the established local market price. This causes friction within sales departments who complain, on the one hand, that their sales to the local market are weakened because of 'imports'. On the other hand they accept bids from exporters for stock that is then exported to a territory with lower dealer prices but is sold to those in the 'import' market and then re-imported hitting sales in the next cycle and so they 'complain' again.

In much the same way, if the currency situation reversed, product would then be sold to the local market and exporters who would sell to foreign markets, undercutting the local price, thereby damaging sales of a neighbouring territory within the same company.

The following comments reflect the manner in which different employees in EMI regard the issue of 'imports': -

'I have my guys on the phone every day saying that the indies (independent dealers) are undercutting our retailers - it is killing the business'

(John Farthing Field Sales Manager)

'If I can sell the stock and it goes off my books I have to look at that as a result'

(Jane Small UK Sales Manager)

'Overall it [the 'imports' trade] cannot do us any good and we should look at stopping it as it hits UK sales in the long run'

(Mike Dobson UK Sales & Marketing Director)

'When I was in charge of the UK I used to have a problem with them [imports] - they do hit the figures but then when I took over Europe as long as it was within Europe the sales still counted - it is those that come in from outside [the EU] I have a problem with'

(Richard Penny, European President)

'It's okay for London to take me down when I try sell a few thousand units that end up in the wrong place [UK] - but when it was the German currency that was strong it was ok for the UK to dump all their cheap product in my area. Who knows next year they may be at it again but like the last time they will not listen to us they will just say its not their issue - its just because London hurts we have to suffer'

(Manfred Zumkeller, Managing Director Germany)

'Its quite simple - my guys know my feelings on this issue they know if they get caught I will have their balls on a plate'

(Charlie Potts, President Asia, Africa and South America)

Imports are on the edge of copyright infringement; whilst the law is relatively straightforward, to those affected it is a matter of perception. To the comments noted above can be the view of an established dealer in 'imports': -

'I do not know why so much time is taken up on this, everyone knows what happens - I do not understand why this is seen as important it is the pirates that you should be worried about - this is nothing it is just trade'

(Ibrahim Khabboul, Middle East dealer)

The next aspect of this case study deals with an area of infringement that is much clearer, to those involved as a breach of copyright. It is an unusual case in that it questions the presumption the only asset of record company is its ownership of copyright.

Bootlegs

As we have noted above, the term 'bootleg' is a reference to music that has not previously been released. The more successful the artist the more such material is sought after. This is particularly so if the artist has died or the band has broken up, effectively 'killing off' the possibility of future recordings.

The most heavily bootlegged band in the music business is the Beatles. During their eight-year career as recording artists 1962 -1970, the Beatles recorded thousands of hours of tape in order to produce their 12 official albums, 21 singles and one EP.

In addition to the recording masters (those songs released as part of the catalogue above) EMI own something in the region of 400 other original masters that contain different takes and some unreleased material.

The sources of bootleg material are many and varied - after recording sessions it was common for artists to take home tape dubs (copies) of original masters for further work.

Tapes were also supplied for advertising, film and broadcast projects, these and 'out-takes' or repeated takes of material were seldom ascribed a value at the time other than the leaking of material due for release.

Beatles bootlegs date back to the late 60s when their status in the music business had already been well established and by which time many tape dubs had been circulating with little or no control.

Out-takes had no value. This was material that had never before had a commercial market. Had it not been for the bureaucracy of EMI, recording job sheets and the 'redundant' material itself would have found its way into the bin. They simply logged and stored everything, valuable or not.

In 1973 a 4 - LP bootleg release *Alpha/Omega* compiled with some of the band's best tracks, actually prompted Apple (the Beatles own label) and EMI to release official '1962-1966' and 1967-1970' albums.

In the 1980s the number, variety and quality of Beatles bootleg material continued to improve as more and more unreleased material from BBC broadcasts, concerts and studio out-takes were uncovered.

In the mid 1980s EMI spent a year preparing for a release titled *The Sessions Album* this was in part prompted by the bootleg companies who were profiting from the unreleased material that they were selling at the expense of EMI and the surviving Beatles. Unfortunately, just prior to release, *The Sessions Album* itself was leaked and released as a bootleg causing the official project to be abandoned.

By this time all original masters, recording masters produced by the Beatles had been gathered in from various insecure locations. The former Elstree Film Studios, underneath Smithfield meat market and a redundant indoor tennis court near the Abbey Road recording studios and placed in a secure vault in the basement of the studios.

Externally, the studios at Abbey Road made world famous when the Beatles were photographed outside the studios on a pedestrian crossing for *The Abbey Road Album* has changed very little. At any time of day or night, fans or tourists from across the globe can be seen peering into the building or writing a message on the wall outside. The paint on the wall is now an inch thick as it has to be re-painted every ten days. When it flakes off it is more akin to lumps of plaster than paint! The majority of those who visit and stand outside the studios were born long after the Beatles stopped recording in 1970.

The material available to the bootleg companies appeared to have dried up by the mid 1990s. However interest in the Beatles music and artefacts continued to grow

with the original lyrics to *I Am The Walrus*, a song written on a scrap of paper by John Lennon, selling at a London auction in 1999 for £100,000. Then in early 2000 a Dutch bootleg company, by the name of Strawberry, released an 11 CD collection of Beatles tracks entitled *Mythology*. These consisted of TV and radio interviews, live recordings and studio takes from released and unreleased material, and were sold at £140 per set in the UK and £200 in continental Europe.

Of significant embarrassment to EMI was press coverage supported by details contained in *Mythology* that the source of much of this material had been a former EMI sound engineer John Barratt who had worked at Abbey Road recording studios. John Barratt had been terminally ill with cancer in 1982 when he had been tasked with compiling a catalogue of all Beatles material in the possession of EMI. In the process of compiling this material he was also tasked with sending dubs of interesting material to the Beatles Committee (a control body used to regulate Beatles projects) to determine suitability for future release.

It had been alleged that Barratt had maintained a copy of these tapes, which had then been sold after his death in 1984 but had taken 16 years to be released.

Following the publicity surrounding this new release Apple and George Harrison had contacted EMI seeking explanations from senior executives - for over 30 years the bootleg companies had sought to exploit the Beatles and here was the latest embarrassment being laid at EMI's own door.

'I have had George [Harrison] on the phone - he knows the score but that is not the issue we have no idea what happened here it is all too long ago. I am not expecting to be able to nail anyone - neither is George - but we have to come up with some sort of coherent story. So if he phones

I can say look this is what happened - he may not like it but that's not the point'

(Roger Penny Senior Vice President)

'All I can say is that since 1988 I have been keeper of the keys and they [the original masters] have been kept like the crown jewels - no one can get to them'

(Adrian Ricketts Recording Engineer, Abbey Road)

'There are two arguments to all this - George [Harrison] has a view and I tend to think he has a point - release the lot then we just blow away the bootleggers. But it is also a matter of pride in what you produce - we would get torn apart if we made some of this material a commercial release. The quality is just not up to it. I suppose that we could release it as a down load from the WEB that way the real fans can get hold of it but we cannot be accused of trying to profit'

(Malcolm Heath - Vice President International)

'I do not think that Roger would see it this way but in some ways the publicity keeps the whole myth going - look those who buy the bootlegs still buy what we put out - it is as much about people saying 'those tossers at EMI screwed up again'

(Gary Hanks, Vice President Business Affairs)

In the event, the internal inquiry launched by EMI was inconclusive save that the material was confirmed as having originated from dubs made by Barratt. How or when they were leaked was never discovered. Nevertheless we had seen, in the vault at Abbey Road Recording Studios, some 1,000 Beatles masters together with further masters for John Lennon, George Harrison and Ringo Starr.

This visit formed the basis of a final debrief with Roger Penny and Martin Clark who had conducted the inquiry.

Martin 'The Masters were described to me as being protected like the crown jewels. The vault is strong enough but it is not sealed and seven different people can get gain access. Furthermore although the vault is in the basement if there is a fire above and water is used the lot could be damaged'

Roger 'Yes that's a good point we should have the digital masters [working copies] moved out and keep them separate'

Martin 'You are still left with the original masters in the same conditions'

Roger 'Yes I know but in terms of copyright as we now know most of it is already out'

Martin 'What about the value of the original masters?'

Roger 'We have covered that issue!'

Martin 'No we have covered the copyright value - what about their value as artefacts?'

Roger 'What are they worth as tapes?'

Martin 'I have been told that in their original *Abbey Road* Boxes - to the right collector they might be worth £100,000 each - we have around 1,000 of them. In effect they *are* the crown jewels of the music industry but that is not how we treat them'

Roger 'Yes - I see the issue but in that case it is not even the money - the real nightmare is something happens to them and people say - 'EMI did *what*, they were stored in *what* conditions!' No I just do not want to think what would happen then it would make the current issue look like a by line'

At the time of writing the entire collection of EMI original master tapes - for all artists and repertoire worldwide - had an insured value of £10 million. There was no special category for Beatles material, which remained in the basement of the Abbey Road Recording Studios.

The proposed merger with Warner Music was based on the belief by some in the industry that within 5 years protection of copyright will have been rendered inoperable. Advances in technology will bring the instant play and recording of the newest releases at the highest quality into the collection of anyone who cares to operate a small palm held device developed by the computer and telecommunications industries known as an MP3. The music industry has yet to determine where and of *what* its next generation of assets will consist.

It is a point worth debating whether the activity we recounted towards the end of this case study is still within our first-order change reference. On balance, and with the benefit of hindsight (!), we might adjudge that significant actors had started to recognise that continuous change had not kept the music industry sufficiently up to speed with changes in their environment, particularly technology. They laid the foundations for what would have been second-order change that, in the event, failed when they did not take due account of other parts of their environment, namely the reaction of regulatory authorities faced with a ground breaking deal and the creation of a new form of enterprise without parallel in the industry.

Concluding note

Our primary lesson for leadership and sensemaking taken from this case study is that no matter how adept or confident an organisation is at *defining* its environment a compelling vision of the future may not be sufficient to alter the views of significant stakeholders within that environment. Leadership - even brave leadership - needs both vision and the ability to anticipate obstacles when operating outside their immediate area of control. In this case EMI/Warner attempted to shape the future of the music industry but failed to understand the sensemaking processes of the regulatory authorities. This is important as much of our literature search has emphasised the need to complicate organisational thinking to deal with complex environments – well sometimes the complication required is a requirement to provide simple (though not simplistic) frameworks that can be understood by others in the environment using existing points of reference.

Of equal interest to us but less significance to the organisation was the multiple meanings of *infringement* associated with the issue of parallel importations, the continual negotiation of such meanings and what this tells us about the apparent looseness of organisational design that tolerated multiple sensemaking processes around the same issue, a point that we pick up on again later when we discuss *originalright*.

Section 6:

Comparing hue: a search for contrast & sensemaking

In section 5 we have witnessed examples of sensemaking in different empirical settings, in this section we look for plausible links *between* the case studies that might allow us to draw conclusions about the nature of the activity. We do so by taking our data, comparing and contrasting through a contextualised model of change, Pettigrew (1985 a) in order to set up and later link with Weick's (1995) model of sensemaking. In doing so we acknowledge Pettigrew's (1985 b) warning to 'beware of the singular theory of process or, indeed, of social and organizational change'.

Poggi (1965) warns us that in creating a way of seeing we may in fact be creating a way of not seeing, that the foreground and background detail will affect the activity we recount, and further that our actors can manipulate foreground and background by their own actions (Argyris, 1976). Burke (1935, p. 70, quoted in Wolcott, 1995) is even more strident 'a way of seeing is *always* a way of not seeing' (emphasis added).

We therefore need to take different perspectives in order to create a complete picture of the activity and so here we look at the information from the ten o'clock or simple/general position. We are trying to determine whether there are any, relatively, simple constructs available to us that we can apply in a general sense across the breadth of case study material – returning to our root metaphor we are standing back from our actors and attempting to paint a background hue that fits, in an approximate sense the foreground activity.

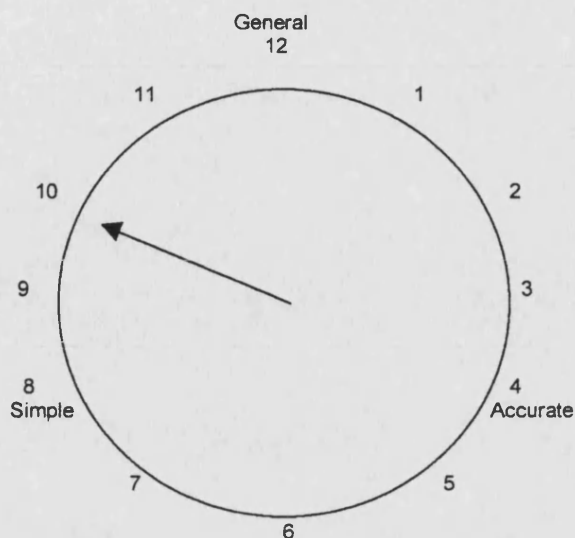


Figure 8.

In addressing the requirement to contextualise our data (Weick, *ibid*, Pettigrew, 1985 b) and link it to sensemaking we acknowledge the need to work from recognisable platforms of analysis. However, we shift away from a single model of analysis by commenting on the similarities and differences in our analysis with a degree of ontological oscillation as we attempt to link our data to plausible events in sensemaking both in this section and the next, whether or not, they represent different assumptions about social action.

First-order change

As we have noted previously it has been our intention to focus upon organisations that, at the time of our research, were undergoing a process of first-order adaptive change. First-order in that our data, in keeping with much change (Meyer et al, 1990 & 1994, Greenwood & Hinings, 1988), details organisations where change, if it does occur takes places 'within a given system which itself remains unchanged' (Watzlawick, et al, 1974, p.10). We are clear that the overall typology of

organisational change noted in our work does reside within the construct of first-order change. In order to further inform the contextualised method of compare and contrast borrowed from Pettigrew (1985, a) we also make comment on whether the adaptive changes fit the Weick and Quinn (1999) criteria of *episodic* or *continuous* change. Episodic change is described as infrequent, discontinuous and intentional (p.365). On the basis that we have cited our search in the area of adaptive change it might be assumed that all the cases recounted should fit this typology as the change recounted was intentional. However, continuous change also holds resonance from our data, organisational changes that 'tend to be ongoing, evolving, and cumulative' (p.375).

By focusing upon the macropolitical and micropolitical dimensions of the organisations we are also able to follow the interplay between the typology of change. Weick and Quinn (ibid) suggest that episodic and continuous change are really matters of perception – the further the distance the less notice is taken of the detail, the closer the distance the more notice is taken of the detail. This is a useful reminder to us to pick up sufficient foreground detail *and* sufficient background context to take a view across the data whilst recognising that we are the arbiters of distance and to some extent of whether or not the change is noted as episodic or continuous.

Intuitively we are also drawn towards Mintzberg's description of spurts of change (1978) or punctuated equilibrium (Tushman & Romanelli 1985) set within a continuum of change (Weick, 1969). However 'episodic' and 'continuous' change differentiates our data sufficiently and as the constructs of change rest in the eye of the beholder (Weick & Quinn, 1999) this is where we rest. It is all first-order change but it is not all the same first-order change.

It is also of note that we are attempting to demonstrate that the case study material is indeed related and can be analysed as a series of canvases in the 'school' of sensemaking. We are not attempting to make good our case around a single organisational study where the fine grain and texture of the piece can be picked over. This may lead us open to accusations that we are providing nothing more than sketches and this may be valid, but as long as we succeed in demonstrating a plausible link between the studies by this method we can move on to discuss the implications for organisational behaviour at the micro or sensemaking level.

Pettigrew warns that the opposite trap to that depicted by Poggi above is trying to see everything and thus seeing nothing. He also encourages us to look for 'continuity and change, patterns and idiosyncrasies, the actions of individuals and groups, and processes of structuring' (1985 b, p.272). This is a wide mandate and one he suggests can best be appreciated by taking note of variables within the three basic elements for analysis: the context, process and outcome components.

A contextualised model

The model developed by Pettigrew was intended to be a theory of method for doing process research. We use the model not to outline how we carried out the research but to lay out the data and ask if and how the case studies compare and contrast with each other. By attending to the model we have been forced to provide for the dimension of time in order to link the interdependencies of social action and context rather than leave the activity as incomplete narratives of moments in time.

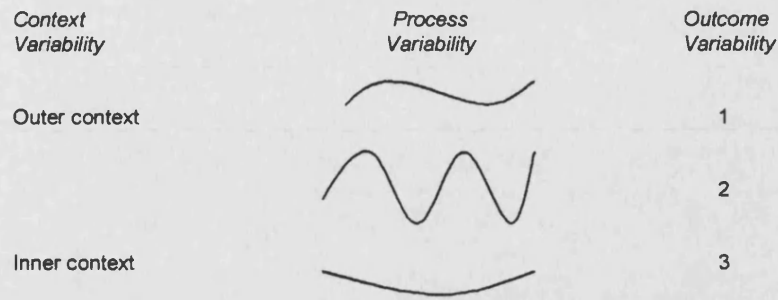


Figure 9.

The view expressed by Pettigrew (ibid) and shared here is that it is not sufficient to treat context as just descriptive background or an eclectic list of antecedents that somehow shape process, neither should structure or context be seen as just constraining process (p.288). In figure (9) above Pettigrew distinguishes the vertical levels of analysis as contexts based upon the interdependencies between higher and lower levels of analysis impacting across the horizontal dimension of time. The key to understanding the interactions between one level and another being to track a process such as decision-making by noting the different phenomena at vertical and horizontal levels of analysis.

The vertical level refers to the interdependence between higher or lower levels of analysis upon phenomena to be explained at some future level, the horizontal level refers to the sequential connections between phenomena in past, present and future time (Pettigrew, 1995, p. 94).

Context

In considering context we take account of how the organisations relate to their environments; that is to say what decision-makers attend to from their environments and how this is translated into internal activity Weick (1979) points out that to an

extent environmental restraint – despite the apparent contradiction - is largely a matter for those within organisations who make choices about the environment they wish to notice and enact. Environment is an output of organising that only takes significance when it is attended to by organisations, otherwise it does not exist (Mangham, 1985). In painting the context we are merely describing these areas of choice. Although we have covered much of the background issues within the case studies here we drill deeper into the macro and micro politics of the organisations and note the relationship with the external environment.

Process

We have previously noted that our interest is organisations undergoing adaptive change; here we try to understand the origins of the change required, i.e. as a local response to perceptions of environmental change. The changes we describe are driven and enacted through different levels of the organisation and this has consequences, as we shall see, for the actions of our actors and the different levels of meaning ascribed.

Outcomes

Here we try to give a qualitative feel for the result of the processes we have described, albeit as we have mentioned previously much of this has to be seen as breaking into a stream of continuing activity.

Tight and loose coupling

Part of the contextualised detailing throughout the analysis will be the nature of tight and loose coupling (system linkages within the organisations, the inner context and between organisations and their environments, outer context). Lawrence & Lorsch

(1969), Weick (1977), Miller (1978), suggest that complex environments are best comprehended by organisations based on loosely coupled systems capable of differentiation and flexible response. They also note that this can give rise to problems of coordination. Weick, (2001) supports this view by suggesting that at times of adaptive change loose coupling is a source for adaptability (flexibility that can reduce the need for large-scale change (p. 388) but tight coupling can facilitate adaptation (the ability to transact). In essence he is making the point that the flexibility of loosely coupled systems allows them the ability to recognise and absorb shifts in the environment whereas tightly coupled systems should be more capable of coordination and control as they have the capacity to carry through change, primarily by reducing complexity and negotiation.

In reducing complexity we are really thinking in terms of reducing differences in meaning by explicit sanction or instruction. Loose coupling begins at the individual level when actions produce different realities through minimal overlap in meaning (Weick, op cit p.386). Multiple realities cause loosely coupled systems because actors share few variables. Tightly coupled systems on the other hand are those where the *acceptable* realities are defined in order to reduce ambiguity.

Whether loosely coupled or tightly coupled all the organisations we worked within had boundaries, controls and conventions that bound their actors into organising their output.

As Weick (op cit) points out the notional distinction between loosely coupled and tightly coupled systems is, once again, a matter of perspective. At the lowest common denominator we – as individuals - are all (internally) tightly coupled the more we look outside ourselves the looser the coupling becomes. The axis of

tight/loose is, therefore, subjective and arbitrary, it really seems to depend on the position from where you look or, in our case, where the easel is placed.

Parvin-May

Context

We have previously noted the nature of external control surrounding financial organisations such as Parvin-May through statutory authorities that heavily regulate deposits, loans and investment advice. The *interpretation* of this external control is reflected at all levels, exacerbated by the position of Henry Simme as principal shareholder/chairman and the small size of the organisation which allowed one or two individuals to exercise effective spans of control.

The power of the regulatory authorities in the UK is sufficient to ensure that all financial institutions are able to demonstrate tight internal control mechanisms. These provide the formal 'tight coupling' of policy and practice in such organisations. As previously noted Parvin-May was well catered for in this respect with nine control committees.

In addition the Bank operated six management boards to control and direct staff who numbered less than 200 in total. Day to day management of the Bank was in the hands of Stephen, yet the influence of Henry was always part of the context against which activity had to be moderated, he, at least, was unequivocal about the behaviour that he wanted to see from his staff. Not so Stephen, who demanded that his managers exercise initiative yet involved himself in the detail of most ongoing projects and sought to channel communication through him – both complaints made

period the talk was more of a reaction to sale or the 'chances of survival in the event of sale'. Now this has been reframed into an opportunity – note Stephen's comment 'we [Henry and Stephen] have been positioning the Bank so that the right buyer goes for the whole team'. Whilst this appears to be the opportunity to make a decision, the decision was, effectively, made by the situation our actors had created.

There are four principal areas of adaptive change detailed in our data all of which we see as interrelated aspects of a process of change resulting from previous, cumulative activity: -

1. The change from operating as a 'merchant bank' to operating as a 'private bank' (as a result of near collapse)
2. The need to meet specific financial targets by increasing profitability (in order to regain management credibility having saved the bank)
3. The requirement for staff to take more personal initiative in the execution of their responsibilities (in order to then grow the bank)
4. The coupling of 1-3 above into a coherent proposition for sale (the result of the previous activity that had changed the Bank's environment)

- 1 We have no first hand experience of the process of changing from a merchant bank to a private bank. We do, however, know that Stephen had only recently taken over as CEO; the Bank was only marginally profitable and was under resourced to operate in the diverse areas of currency trading, banking, and investment, trust management and corporate finance (merchant banking).

Stephen was also in a position of reporting directly to Henry Simme, who, as we have previously noted, not only owned the single largest block of

issued shares, but was also chairman of the Bank. Henry made comment that Stephen; 'made a compelling case for the survival of the Bank'. It is reasonable therefore, to position this as a necessary change to reverse previous decisions made in the Bank and ensure its viability. In the short term this meant that the Bank sacked some 30% of staff that were not directly connected to the 'new' operation.

- 2 Stephen presented his senior staff with the targets of 20% return on capital (from 7%) and a share price of £20 (from £6) in 1998 as part of a five-year plan leading up to 31st March 2003. He did so on the basis of comparisons shared with his staff that other similar institutions would see these figures as reasonable benchmarks for an effective organisation of this type. He reinforced this message by implying that, if the shareholders did not see an adequate return on investments, they might opt to sell the Bank.
- 3 From our initial research visits Stephen had made overtures to his staff and us that he was increasingly frustrated by the relative lack of initiative shown by his staff, which resulted in him being overloaded with work. Henry supported this view and felt that more of the senior staff should shoulder more responsibility for driving the Bank forward.
- 4 The final change appeared to us to have evolved from what can best be described as a decision not to do something, rather than a specific decision to sell the Bank. Early in our research, when discussing the profitability of the Bank, Stephen had said of Henry Simme 'he is very supportive but has made it clear that he retires in 2003 and does not want to leave the family shares in the business when he is not around and that

opens up various options depending on whether anyone would want the shares'.

Following two years of profit growth and successful expansion into the Bahamas, Henry decided that trade sale would achieve his retirement aim, release the value of his shares and secure the future, principally, of Stephen. For his part Stephen, rather than talk in terms of continued employment viewed, a sale 'to the right party' as an opportunity to develop his career further:

'There is always going to be a ceiling as to how far we can grow. It is a straightforward calculation of the free capital ratio [loan book size determined by profit over expenditure retained as capital in the business governed by Bank of England Banking regulations]. As we stand we will get caught in the small end of the market and because we are there we do not generate the right levels of free capital – a classic catch 22 if you like'.

Outcomes

- 1 The change from operating as a 'merchant bank' to operating as a 'private bank'

This change was completed successfully – those employed at the Bank regarded themselves as private bankers – they were attuned to dealing with individual wealthy clients and exhibited no discernible regret at giving up corporate deal making. In part this may well have been due to the removal of substantial numbers of staff who serviced this aspect of the Bank's business.

2 The need to meet specific financial targets by increasing profitability

At the time of writing, some two years through the five-year plan, the return on capital was running at 12% (on target) and the share price was trading at £8.55 (also on target). At the same time the income streams were compounding at 15%, driving stronger than forecast net profits.

Interestingly the Bahamian operation started to develop into one of the most profitable parts of the Bank and certainly the fastest growing, yet this caused the most tension as the antithesis of historic behaviours in the Bank: -

Stephen – 'They have more autonomy than the rest of the Bank and take more risk ...but that's okay ...I think'

David (Director of Bahamas operation) - 'We feel restrained the whole time – there is this great feeling of conservatism that pulls us back in London – you can feel it all the time'

3 The requirement for staff to take more personal initiative in the execution of their responsibilities

As we see with the Bahamian operation above, this was an area of constant negotiation. The Bank had grown and clearly Stephen found it very difficult to sustain active control, at the same time he had been with the Bank for 20 years and had been seen as a central and controlling influence over decision-making.

Dictated by restrictions on his time, Stephen sought to unburden some of his responsibilities and devolve authority – but on his terms. As a consequence whilst there had been some change in this area, it had been slow and in the main through

actions of new members of staff such as those in the Bahamas for whom operating with delegated authority was a natural continuation of their previous experience. From the conversations within the Bank it was clear that but for the distance between the two operations control over the Bahamian operation would have been even more obvious.

We are left with Stephen calling for staff to take initiative, in a context (London and Guernsey) that had little precedence for such behaviour, but initiative (of a specific and defined nature) with which he knew and felt comfortable i.e. tightly controlled. The mainstay of change came from what was proving to be a highly profitable part of the Bank – yet for those involved the change was adapting to what they viewed as unnecessary, even oppressive, control. They were, nevertheless, successful, and Stephen and other members of staff had realised this.

Adaptive change was taking place, people were taking more responsibility but not through *telling* staff to change, more from the introduction of new staff operating in a geographically remote (from London) location who were adding to the understanding of enacted behaviour (taking responsibility) for the rest of the Bank.

4 The coupling of 1-3 above into a coherent proposition for sale [as it later transpired]

As we have noted above, this was not so much a decision to change the Bank and prepare it for sale. It was known that Henry would retire and not be happy to leave his equity under the control of a 3rd party. The adaptive changes 1 – 3 above were seen as part of a survival mechanism 'lets make us viable for employment'.

Having created movement towards shaping up the Bank (through a variety of means) Stephen was then able to have some influence over the process of sale (to whom and on what terms). Had movement not been seen in 1 – 3 above change 4, as detailed, would not have been an issue, it would be a non-decision, because the Bank would have been sold as an under-performing asset.

The Police

Context

The Police Force remains, as it always has, a largely uniformed organisation structured on hierarchical principles adapted from the military command and control model, however, as communication systems improved, the number of UK Police Forces dropped until the local Government reforms of 1974, when the number stabilised at 53. However, until 1983, despite the reduction in the number of forces, the Police had evolved and responded to social change in their own way, conscious of the constitutional autonomy granted to Chief Officers, Central Government avoided directly influencing operational discretion.

The consequences of this by the early 1980s were that a number of Chief Officers had publicly committed their forces to contradictory aims; working with the community or clean up campaigns. Each Chief Officer could, and many did, pursue their own interests, often without regard for the aims and objectives of adjoining forces. A few Chief Officers recruited the growing interest and influence of the media to press their beliefs to the point where they became subject to the ridicule of the same journalists they sought to use - such as James Anderton - then Chief Constable of Greater Manchester who publicly committed his officers to clearing the streets of Manchester of prostitution by invoking the will of God with missionary zeal. There was more than

a faint whiff of the American model of policing about this where a county sheriff might be elected upon his public appeal with and to the local population.

As there was no overarching policy adherence it was entirely possible to see variations in the prosecution policy of the same offence in different forces and there was little the Home Office could do to intervene without chief officers citing their right to operational autonomy. In this way the Police, at a senior level, were loosely coupled both to the Home Office and their respective Police Authorities. The system of control and funding of the police forces of England and Wales was largely established by the 1964 Police Act. This statute formulated a tripartite method of running and funding police forces. The chief officer had a direct responsibility for the operational running of his force, the Home Office set the national and political agendas leaving Police Authorities to administer local funding and accountability.

The case study of the Police suggests a significant change to the context, dating to the issue, in 1983, of *Home Office Circular 114/83*. This was to be the first notion of centralised accountability justified on the basis of fiscal effectiveness and efficiency. This was not restricted to the Police, for, as we see in the case study of the Foreign Office, at a macro-political level the Thatcher Government elected in 1979 had embarked on a universal tightening of public expenditure seen largely out of control and self-determined.

Much of the change we have described in the case study is hardly micro-political – e.g. *zero tolerance*, but it does sit under a continuum of increasing financial control and, as we see, there is a point at which this becomes the mechanism by which operational control is leveraged.

The activities of individual police officers are regulated by procedural legislation that sets a framework for their overall conduct (*Police Regulations 1964*) and the manner in which they exercise their statutory authority (*the Police and Criminal Evidence Act 1984, Codes of Practice*). Police officers are, nevertheless, individual agents of the Crown and in theory each determines whether to use his or her authority.

Chief Officers do not report to higher authority for the execution of their responsibilities, but they are required through Her Majesty's Inspectors (HMI) of Constabulary (former chief officers employed by the Home Office for inspection purposes) to account for the way in which those responsibilities are carried out, thus mirroring the situation for individual officers. However Chief Officers are also accountable to their respective Police Authorities for the efficient use of their budgets.

The situation has now been reached, as we detail in our case study material, where Central Government publicly commits itself to reducing crime (*'tough on crime and tough on the causes of crime'*) whilst at the same time effectively attempting to shape the Police response by increasing the range of performance measurement techniques such as the *Best Value Initiative* aimed at encouraging Chief Officers to justify use of resources.

The loop is closed by Chief Officers now being appointed on 'short-term' (up to ten year) contracts, renewal of which is judged by Police Authorities, who conduct annual appraisals of the Chief Constable partly, at least, against his or her ability to meet Home Office efficiency targets.

In this way Central Government can proclaim a determination to reduce a particular aspect of crime, e.g. drug abuse, but at the same time distance themselves from accusations of political bias by citing the operational autonomy of Chief Officers who

are only assessed on the efficient use of their resources. If, however, the Police Authority judges that the Chief Officer has not reached an acceptable standard (based on the Home Office performance measures) they can decline to renew an officer's contract and this is a genuine concern of Chief Officers leading to some contentious activity: -

'A study by HM Inspector of Constabulary found that some forces wrote off allegations as "no crimes".... Last year, the forces recorded about 5.1 million offences. The report found that 24 per cent of the allegations from the public did not make crime statistics...On detection rates, the report highlighted a tendency of forces "to trawl" the margins for detections and "generally use every means to portray their performance in a good light'

(The Daily Telegraph 1st August 2000)

'In 1995 it was relatively simple. The then Home Secretary set four or five key objectives, working with the Police Authorities, five years on we have got the 'policing plan', the 'efficiency plan', the 'best value strategy, the 'performance plan' and the 'district crime reduction plan'. Now it has been suggested that there will be 'regional crime reduction plan' and we have 59 'best value' performance indicators. We also have to produce reports every three months and the District Audit Commission comes in several times a year – they also look at best value on an annual basis. I am spending £200,000 a year on accountants and researchers – the equivalent of eight officers on the beat just to man the 'best value' team in a force of only 1,000 officers'

(Tony Butler, Chief Constable Gloucestershire)

'We fully accept the right of the Government to set the overall strategy for the service and have a voice in what we do, but the danger in this inherent shift to centralism is the involvement in how we do it. By all means tell us what is expected of us and set priorities – but leave us to deliver in the best way suited to our communities'

(Sir John Evans, President, Association of Chief Police officers)

The measures introduced by successive Governments have gradually tightened the control of Chief Officers and restricted their options for independent action.

It is worth making this point in that the police can, historically, be described as operating within a loosely coupled system. Each Chief Constable, effectively, ruling his (and this was the gender norm) fiefdom. As we have noted this resulted in different styles and priorities of policing across the country largely due to the individual persuasions of these officers. Internally each force operated tight coupling and this enabled the command and control style of management to adapt to the requirements of the Chief Constable, whether or not officers agreed with his views.

Today the coupling with the Home Office has been tightened leading to reduced flexibility and individual choice for Chief Constables', however, the process is underway to loosen the internal coupling of individual forces by driving down responsibility to lower ranks. And this may start to impact on the ability of Chief Constables to carry through their own initiatives when policy making is increasingly restricted by Central Government intervention and the capacity to influence subordinate behaviour is in the formative stages of being eroded. Nevertheless, on balance, for the purposes of this work we describe the Police as tightly coupled.

The above represents the macro-political context of our case study but it does not inform the micro-political dimension. At an individual level police officers are responsible for upholding the rule of law – if necessary by force.

In our view police officers maintain an unequivocal bias for action not consultation. This historical *raison d'être* has a bearing on how they view themselves as a force rather than a service. It is true that the demands on police officers in the UK call for sophisticated management and understanding, they are required by society to carry out their responsibilities with consideration and sensitivity, often switching roles from that of mediator in domestic disputes to enforcer in public order situations. Yet it is the bias for action that separates the Police from social workers and other public servants. We suggest that whilst necessary it is also a bias that requires understanding from those who would seek to influence their actions or, in this case, encourage them to adapt to new agendas.

Process

The process elements of the Police case study we intend to comment upon are long-term attempts at adaptive change.

- 1 Attempts to change the orientation of policing from force to service then back to force
- 2 Introduction of value for money policies
- 3 Changes the structure of the Police organisation and devolvment of responsibility

- 1 One of the central tasks of the Police is, and always will be, to catch criminals, nevertheless, talk of 'fighting crime' more often than not confuses the catching of individual criminals – which is certainly a prime responsibility

of the Police – with other activities aimed at preventing or reducing crime. The latter is properly the responsibility of many agencies, and there is growing evidence to suggest that it will best be tackled if these agencies work together (Bennett, 1994).

Any basic analysis of the reasons underlying rises in crime in recent decades illustrates the point that overall responsibility for tackling crime cannot simply be laid at the door of the Police. The changing nature of crime, and therefore of policing, in part reflects broader changes in the socio-economic context in which they occur; the break-up of traditional, fairly close-knit communities; the globalisation of economic activity and the polarisation of different social groups.

There is a multi-layered process whereby new emerging patterns of class and status overlay rapid changes in communication and business practice.

By way of example a quarter of all recorded crime is to do with the motorcar. As the number, cost and availability have changed so has the direct growth in crime. In 1957 there were only 7,500 reported thefts of motorcars in the UK, in 1987 there were 390,000 such cases. Additionally the motorcar provides a means of transport for highly portable televisions, videos and stereos, which are also an output of developments in technology.

The principal focus requiring change by the Police are the new cleavages of, age, gender, race and minority interest groups, any one of which can and do catch the attention of the media and thus politicians who invariably look to the Police to enact new 'public' sensitivities.

In this way we have seen the bedrock of policing questioned and attempts made to redefine it, only to then reverse the direction some years later.

2 The debate started with *Home Office Circular 114/83* on the efficiency and effectiveness of the Police and has since continued with the questioning of the specific Police role in relation to: -

- Regulation of traffic
- Control of parking
- Use of Police as administrators
- Manning of rural Police stations
- Use of private security companies
 - Patrols
 - Response to alarm activations
 - Town centre Closed Circuit TV

Any number of authors have examined these matters including, Clark & Hough (1984), Horton & Smith (1988) and Southgate & Crisp (1992). The overall conclusions being that in the opinion of the authors the Police need to prioritise their resource distribution into core policing functions, the difficulty being to define what those core-policing functions should be. The Government consolidated their position on this matter with publication of the *1994 Home Office Review of Police Core and Ancillary Tasks* (the Posen enquiry), which had responsibility for making recommendations about the most cost-effective way of delivering core Police services and to assess the scope for relinquishing ancillary tasks.

- 3 All Police officers start their service as Constables and can progress through successive ranks to the level of Chief Constable. There is, currently, no mechanism in place to circumvent this practice. Effectively it blocks direct entry at senior rank and maintains a hierarchical structure that takes precedence over expert knowledge in the decision-making forums.

The effectiveness and efficiency agenda detailed above co-existed with a real growth in Government expenditure on 'law and order' services, in general, and policing in particular, at a time when pure cost in many other public services had been reduced.

One method of addressing spiralling costs, and the ever-increasing public demand for more 'policing', was to re-distribute Police numbers by flattening the rank structure. The Inquiry into *Police Responsibilities and Rewards* (*Sheehy Inquiry*) took as its mainstay the 'logical' distribution of responsibility to divisional command units and the reward of individual performance.

The recommendations resonate with the Bartlett & Ghoshal (1995) concept of moving away from highly centralised autocracies formed around structural imperatives and confirming the importance of de-centralised decision-making by semi-autonomous managers operating under the remit of informed decision-making.

Prior to the *Sheehy Inquiry* of 1993 police officers below Chief Officer rank took no devolved budgetary responsibility and support areas such as personnel and many of the localised specialist functions such as traffic and anti-drugs enforcement were centrally controlled.

The change called for here focused both on the devolvement of responsibility and reduction of the structure by 3 ranks.

Outcomes

- 1 The attempts to change the orientation of policing from force to service and back to force

The attempts to change the orientation of policing from what was perceived as one of force can be dated from the period of urban riots in the UK in 1980 and 1981 in Bristol, Liverpool, London and Manchester leading to *Lord Scarman's* 1982 inquiry. Followed closely by media scrutiny of the Police role in the national miners strike in 1983 & 1984.

The concept of community policing was certainly not new to policing in the UK, but a distinct change was the level of local collaboration and consultation that started to take place with minority interest groups and community leaders. This was closely aligned with the reclassification of many 'minor' offences, such as the use of cannabis, petty damage, theft etc into cautionable misdemeanours on the occasion of first offences.

The Police and Criminal Evidence Act 1984 consolidated the rights of suspects to fair representation and attempted to tighten up the procedural collection of evidence by the Police, thus addressing the central criticism of highly publicised miscarriages of justice.

By 1994 the representation of policing had aligned itself with the requirements of political accountability (Bennett, 1994) and Chief Officers became adept at 'implementing' socially sustainable policy and practice.

Unfortunately in the same period of time (1984–1994) reported offences of theft and violent attack doubled. The Police response to this was to increase the sophistication of its dedicated criminal investigation and intelligence gathering capability and to raise the level of equipment available for the defence of police officers.

In the Bristol riots of 1980 police officers defended themselves with plastic milk crates against petrol bomb and stone attack, their only equipment being a short wooden truncheon. By 1994 officers were trained in riot control tactics and equipped with body protection, riot helmets, batons and shields. Today patrolling officers wear knife/bullet resistant body armour and the carrying of firearms by specially trained response units has become routine.

Whilst the Police acquired a more acceptable public face, as was the political requirement, at the expense of the pursuit of petty crime, police officers were concurrently required to increase their individual capability to deliver force and vigorously prosecute organised crime.

The balance the Police achieved played to the public and political support for dealing with the more serious offences, at the cost of a loss of confidence in their willingness or ability to deal with the less serious offences. Most police forces prioritised their response to reported crime and simply declined to investigate petty theft, damage and even some forms of house burglaries.

By 1994 through to 1997 and the election of the Labour Party the policy of *zero tolerance* gained increasing recognition in the UK, leading to its political acclaim by the incoming Government. Very quickly it was adopted by a number of police forces coming under increasing pressure to reduce the levels of reported crime, or at least increase detection rates.

Our research contains comments by a Canadian Chief Officer and the practical output of *zero tolerance* policing. Not only did the concept strike a chord with many officers, it was welcomed as a means of re-establishing the boundaries of unlawful behaviour. The requirement to exercise force addressed much of the latent potentiality that had built up for many years – not surprisingly, therefore the change in orientation was rapid – if indeed it had ever changed in the first place. We would contend that the Police had actually legitimised force of a more targeted nature (where it would have been publicly supported) and removed much of the ground for developing areas of friction by redefining their roles and opening up greater public dialogue to understand topical issues. This was fine, as far as it went, but without the capacity to act – sometimes vigorously - the Police would present little deterrent value for society.

We contend that this is a delicate balance – and one easily destabilised - when the Police are encouraged to over enact their forceful purpose as a result of political pressure. At senior levels we have a wide understanding that political pressure on the Police for reform was linked to ongoing political agendas, such as encouraging the service ethos. This was regarded as an inevitable consequence, but one that could be dealt with in isolation, leaving traditional styles of policing intact, despite pressure brought to bear on them:

'The Home Office is never happier than when the Government gives them something to get their teeth into, especially if it means Chief Officers getting it in the neck – we just have to rise above that'

(Sarah Higgins, Assistant Chief Constable)

At the time of writing Ann Widdecombe, shadow Home Secretary for the Conservative party, was advocating a *zero tolerance* policy for users of cannabis that would lead to the Police issuing fixed penalty notices for those caught with the drug in their possession.

The proposed policy was widely ridiculed by opposition politicians, the Police and the press as being unworkable. Nevertheless, the policy was widely applauded at the Conservative Party National Conference in 2000 and serves notice on the continued pressure the Police can expect in their attempts to balance the enactment of their responsibilities.

2 Introduction of value for money policies

As we have seen previously from the comments of Tony Butler, Chief Constable of Gloucestershire *measurement of best value* is a fact of life for Police Forces in the continuous audit of expenditure and use of resources. The process is ongoing but also has to be seen against a backdrop in the continued rise in reported crime.

The Police have, largely, withdrawn from what they have defined as non-core Police activities and, where retained, many of these duties are now undertaken by civilian staff whose numbers have grown from 35,000 in 1990 to 65,000 in 2000. At the same time total Police numbers grew from 108,000 to 120,000.

The Police have also accommodated the requirement to report on value for money policies and that has, inevitably, included the statistical analysis of trends in crime and levels of detection.

The consequences of enacting *value for money* policies have been for the Police to 'negotiate' priorities, based on a complex and dynamic formula that includes the high profile crimes of murder and rape - prevailing politically topical issues - but, increasingly, specifically excludes the minor offences we noted above, and much commercial crime where the victim is a corporate body.

Many of the police officers we interviewed expressed personal distaste for what they saw as the ignoring of 'real' crime in favour of multiple clear up opportunities that would enhance the reported statistics. We revisit Robert's comments taken from our case study: -

'..... crime involving a single theft to a value of £150,000 is just that a single crime. Twenty cars broken into in a car park is twenty separate crimes - there is no reward in the system for investigating the single offence based upon monetary value - even though individual officers would love to do so'

Whether or not it can be said the Police have adapted to the introduction of value for money policies is rather dependent upon the meaning taken from this proposition. The Police report on a wide variety of value for money policies, yet they do so by diverting budgets from operational policing to gathering statistical information on value for money practices. The Police may prefer to focus on 'real' crimes but to the twenty odd owners of the cars Robert talks of above this is 'real crime' and clearly

politicians will not be blind to the 'value' of clearing up twenty times as many reported crimes.

The Police have adapted to much of the *value for money* agenda – they have focused more of their numbers on operational matters - yet it is the process of reporting their activity that may inadvertently have had the greater impact on changes to policing.

3 Attempts to change the structure of Police organisations and devolve responsibility

Giddens (1996) likens attempts to change the structure of the Police to a process of de-traditionalisation. The Police have traditionally been structured on a paramilitary basis that has maintained relatively narrow hierarchical spans of control, despite the fact that the majority of work is informed by a widely implemented discretion, and is, to a large extent, removed from the monitoring capacities of supervisory officers. This has not stopped the Police resisting attempts to align them with contemporary organisational thinking and reduce the hierarchical levels of their structure. As we have noted the change to this structure – the removal of 3 layers - was reversed within 6 years of implementation. Our data indicated that in part this was due to the perceived inability of those ranks left to exercise sufficient control over the activities of their subordinates and, somewhat paradoxically, the apparent belief that those of lower rank did not represent an appropriate level of delegated authority to external agencies with whom they came into contact.

As a consequence the Police have gradually reinstated the original ranks, thus formerly removing the issue of delegated authority. In essence we conclude that officers of a more junior rank did not enact the delegated authority that removal of the ranks was

intended to achieve, this, in turn, enacted a problem for which the solution was seen to be a return to the original system of control.

Foreign & Commonwealth Office Services

Context

The process considered later concerns one group of executives working for a department - Foreign & Commonwealth Office Services (FCOS) - within the Foreign & Commonwealth Office (FCO). The overall feeling expressed by this group was that in some way the world was moving on in terms of organisation design and management. Here we try to understand the specific influences noticed, and commented upon, by the executives at various points of our data collection.

- Universal growth and use of the Internet

The managers within FCOS were well aware of the explosion in use of the Internet in the late 1990s. Many managers felt that the FCO and FCOS in particular had been left behind by this trend and even at the time of writing few individual managers had the equipment in place to send and receive external e-mail messages.

A cornerstone of the *Modernising Government* White Paper had been the effective use of technology to help achieve 'joined up Government'. As an organisation that prided itself on the quality of the information it supplied to Government many felt they did not have a basic tool to do their work efficiently.

- Increase of public-private sector partnerships – but relative lack of experience in managing these relationships

As a support based organisation managers were under increasing pressure from Government to use best value solutions, which in many cases involved private organisations with which relationships needed to be negotiated and managed.

Managers realised that there was a basic mismatch in the way that they had, historically, managed internal issues on the basis of quality of service and the judgement call they were being asked to make on potential suppliers where the relationship – ideally – was to be quality of service and value for money. This had led, on a number of occasions, to managers buying in services and products based purely on cost and this had resulted in shortfalls in expectations.

In order to meet this need it was recognised that managers had to be trained and given appropriate opportunities to gain experience – possibly outside the FCO - or be in a position to buy in the right level of experience. These solutions required a flexibility that senior managers did not readily see available to themselves.

- Commercial adroitness required to sell services to the main FCO office and other parts of the Civil Service

This follows on from the previous point – managers were well aware that many other support functions within Central Government departments had long before developed processes for marketing their services to internal and external customers.

This was a step beyond the principles of bench marking services or market testing and required an understanding of how to form self-funding services in an environment where there was little knowledge of the value and costs associated with maintaining the services they delivered, making them difficult to sell within a reliable costing

framework. Products and services were sold on a small scale but senior managers had no idea whether or not they were being sold at a profit or loss.

- Recognition that a move towards executive agency status would bring with it changes in structure and management style

This was to be a department where diplomatic staff was to be in the minority. Within the FCO as a whole, the divisions between the Diplomatic Service and the Home Civil Service went deep with diplomats (and especially those fast streamed for promotion) often regarded as elitist. However, within FCOS the experience of diplomats would be of value in understanding the new market place but on an equal footing with other 'experts' in IT, supplies, estate management, fleet management, project management and the like. Managers recognised that this new organisation would need to value contribution over status if it were to create a flexible responsive and integrated agency.

- Performance management and career development

It was recognised that the FCO had sustained a family orientated culture for many years. A reason given for this being that staff – especially those serving overseas – required additional support and even nurturing if they were to give of their best. Children of diplomats receive free private education, extended periods of leave are given to prepare for postings, a large medical and welfare department is maintained to look after all aspects of the physical and mental well being of staff.

Staff were rarely, if ever, sacked for under performing, except in the cases of dishonest activity. Over the period of our research most managers that we spoke with could readily identify under performing staff in all areas of FCOS. Many clearly understood that this was an issue – especially if some of these staff were to be engaged in

delivering services sold outside the organisation - but it was not an issue that any had dealt with. A common reason given for this being the high level of bureaucracy that had built up in the processes for dealing with under-performance and, ultimately, those who ran the course of this system saw the final decision being fudged and the member of staff moved into another department.

FCOS operated on well defined centralised control systems and the context was one where the definition of meaning was tightly coupled with the actions of the PUS, unfortunately when he finally gave the order for organisational change – FCOS seemed unable to respond and yet the perceived wisdom (above) would be that as a tightly coupled system the need for change (as was indeed the case) not implementation would be the issue. Once the need for change had been understood the system should have been capable of delivery, however, it did not.

Process

This was not so much a requirement to implement or establish a clearly definable change, this was more taking a whole range of issues involving systems, people management, structures, language and symbols that led, ultimately, to behaving in line with the views managers *expressed* about those issues. The process or change we monitored was one of enactment – in a recognisable and qualitatively different manner – to management behaviour we witnessed from the same group in the preceding years in line with the *Modernising* agenda.

Outcome

We saw changes to the language in published documents within FCOS and changes to the reporting lines of some departments that had been moved into FCOS. Indeed

some of those departments had been reconstituted with new departmental names and different members of staff as part of the process of setting up FCOS.

At an individual level we noted some senior managers ordering their own IT equipment (see comments of Peter in FCO case study) and others arranging management training for their staff. However, we saw no substantive change in the way the executive body of FCOS acted as a central focus of leadership activity. Such change as we have noted above, was in the margins of the organisation as a whole. As seen from the comments of our actors, this was variously put down to the lack of available funding and the unwillingness of the CEO to engage with any of these issues.

Perrow (1981) talks of overloading individuals at times of change when driven through tightly coupled systems, we consider that something of this kind happened at FCOS. A situation compounded by the reported conversation between Ray CEO of FCOS and the PUS – essentially he was being told to get a grip of his department and bring about organisational change.

Given the available evidence we might venture that the coupling had been *over tightened* and this had induced the sense of inertia, perhaps the inverse of what might have been anticipated. Watzlawick (1974) suggests that in such circumstances two questions arise equally: 'how does this undesirable situation persist?' and 'what is required to change it?' (p.2). Schein (1996) identifies something of a dilemma here for if, as he states, the only real role of the leader is to bring about change; in this circumstance the PUS would need to be able to diagnose his own [system] collusion in creating the problem and recognise the need to change the system in order to remedy the problem.

If our suggestion is correct and the problem has resulted from *over tightening* the coupling then *getting a grip* [on the problem] may be achieved through the paradox of loosening the grip. Weick (op cit) comes close to this position by expressing his interest in the possible ways that the trade off for short-term adaptation (tight coupling) might be to gain longer-term adaptability (loose coupling). Counterintuitive though this might seem to someone in the position of the PUS this might have been achieved by finding a way of letting the organisation find its own level by encouraging it to make its own mistakes and go through its own learning, a proposition we extend further when we discuss enactment.

EMI Recorded Music

Context

The popular music industry had consolidated the number of 'major' music companies to five by the late 1990s, the EMI group being one of these. Each of the companies operates on an international basis and each owns a number of record labels dealing with what is called 'local' and 'international' repertoire. As an example the Beatles released most of their early music on the Parlophone label in Europe and Capitol in the USA, both labels being owned by EMI Recorded Music.

In common with the other 'majors', the holding company plays a central administration and management function under whose authority sits the various record labels themselves, each of which will be recognised for its own style of music and artists signed to that particular label.

As the 'majors' have developed over the years they have merged or purchased other record companies who themselves hosted a number of record labels that started life as

independent companies. This leads to complex issues of reporting and authority over different parts of the business. For example, Virgin Records owns several labels, each with their own managing director and staff. The labels report into the President of Virgin Records who then reports to the CEO of EMI recorded music. However, none of the EMI Recorded Music executives, with the exception of the CEO, has any authority over Virgin even though they control all distribution and manufacturing for Virgin and each can influence the effectiveness of the other.

In part this goes some way to explain the apparent lack of consistency in defining the relevance or otherwise of 'parallel imports' (see case study) – the business struggles for consistency on this issue and even avoids consistency.

There is a dilemma for the large music companies that they are well aware of: -

'The problem is one of creativity – artists are attracted to labels because of what they think they represent – how in tune the people are with their music. From the other side it means that A&R is about best guessing what new sounds are going to make the sales. These can only be calls made from the ground. We hope that it works and more often than not, it does. Once an artist is broken [successfully releases an album] it just becomes a system, until then it is a bit like the unknown and yes, we keep it that way.'

(Martina Dury, Director of Artist Relations)

In this way the 'majors' attempt to cover the options as widely as possible whilst retaining the identity of individual labels. Geri Halliwell left the Spice Girls pop group on the Virgin label and joined the Chrysalis label as the style of the label and the management suited her better even though EMI Recorded Music owns both labels.

There is also some recognition that the 'unique' appeal of the labels could only be achieved with small groups of staff in touch with their marketplace and the artists. Richard Branson, when he owned Virgin, made explicit his policy of restricting the number of his music label staff to no more than 50 to retain their responsiveness and provide staff with an incentive to succeed.

The popular music business is a layering of accommodations. Popular music has to break new ground otherwise it loses its appeal to the buying public. Large companies understand that this has to be handled by small units or labels and so they maintain individual identities and buy up small independent labels as they emerge to renew the process. At the same time all the major companies have to manage complex, co-ordinated, worldwide manufacture and distribution networks in order to deliver product efficiently and at a competitive price.

In the terms of Chesbrough & Teece (1996), the music companies combine the virtues of an integrated corporation – the ability to co-ordinate activity combined with a form of in house decentralised alliances – individual labels provide them with the incentive to take risks and develop new artists and music. We have, however, noticed that the pure models of centralised and decentralised corporations described by Chesbrough & Teece (ibid) do not apply. Music companies appear to find conflict resolution difficult and there is a deliberate avoidance of written policy and practice – certainly within EMI Recorded Music – and so risk exposure from the labels is restricted by budgetary restraints over which they [the labels] have limited control. The message being 'spend, experiment and innovate but do so to a budget and by the way we will judge you on medium term performance'.

Our impression overall has been of continuing strain between those responsible for the corporate management of the group and those responsible for the creativity or

music side of the business. Interestingly both CEOs involved in the proposed Warner Music/EMI Recorded Music were known as 'music people' - that is their roots were in the area of creative music generation - they moved across to corporate management later in their careers. The possibility exists that their relative lack of experience *outside* the music industry might have exacerbated the difficulties that the merger was to face as these principal actors found themselves dealing with the political nature of international regulatory decision-making for which they had little experience.

Process

The adaptive change of our case study is one that affects the popular music industry as a whole. We have seen how the concept of '*copyright*' – as the principal asset of record companies – has been redefined by changes in technology. The basic medium of purchasing and replaying music changed very little for nearly 100 years. Retail sales of music product involved people purchasing a physical product whether vinyl, music cassettes or CDs, at retail outlets or by mail order.

As the technology available for producing music to a higher listening standard through the digitalisation of sound – a technique learnt from the computer industry – improved and resulted in music product being dominated by the CD format, the same technology became widely available for illegal copying by music pirates.

Today music piracy in CD format accounts for more than 500 million units annually much of which is controlled by organised crime syndicates.

The widespread use of the Internet and associated technology now permits the digital transmission/downloading of music product at minimal expense, resulting in at

least 25 million pirate files available for trading on the Internet, according to a review of the global illegal music market released in June 2000 by the international music companies trade association the International Federation of the Phonographic Industry (IFPI).

Whilst physical recordings still account for the vast bulk of music piracy, it is only a matter of time before Internet downloading becomes the normal method of transacting pirated product. The music companies have effectively been challenged to the point of extinction by the very technology they developed themselves; trapped by their own enactment.

The change the industry attempted to make was its response to changes to the traditional assumption of its assets being invested in the ownership of copyright. In particular we looked at the activity of one company, EMI Recorded Music, who attempted to prepare for this change by merging with Warner Music, part of the Time Warner Entertainment Group who were themselves merging with AOL, an Internet service provider. EMI were attempting to deal with the requirement to adapt to the inevitable loss of copyright (or rather the increasingly difficulty of protecting it) by defining themselves as *content* providers.

In the music market of the future EMI saw technology enabling the instant download/play of music as the general means of listening choice for the public with no physical product necessary; issues of *copyright* being of secondary importance as few, they thought, would trouble with physical product.

Outcome

This case is very much one of adaptive change in process, we have tracked the developing dialogues residing alongside changes in technology that, in themselves have led to difficult issues. EMI/Warner attempted to extend the boundaries towards *content* provision. This particular action may have failed but it has served to accelerate the wider change towards this method of defining value with others (BMG working with Napster) now seeking new ways of delivering to the same agenda. The change may not have been completed but the process has been advanced by others who shared the same sensemaking process.

A plausible synthesis

	Parvin-May	The Police	FCOS	EMI
Instances of adaptive change	4	3	1	1
<i>Context</i>				
Private sector/Public Sector	Private	Public	Public	Private
Size of organisation (note 1)	Small	Large	Medium	Medium
Degree of centralisation (note 2)	Integrated	Integrated	Integrated	Decentralised
Output regulated by statute?	Yes	Yes	No	No
Output subject to parliamentary review?	No	No	Yes	No
Policies and procedures documented?	Yes	Yes	Yes	No
Clear reporting and organisational structure?	Yes	Yes	Yes	No
<i>Process</i>				
Reason for change	1-4 Economic	1-3 Political	Political	Economic
Imposed by external agencies?	No	Yes	Yes	No
Episodic change	Yes	Yes	Yes	Yes
Incremental change	No	Yes	Yes	Yes
Prior enactment within organisation	No	No	No	No
Prior knowledge of enactment elsewhere	Yes	Yes	Yes	No
<i>Outcomes</i>				
Achieved successfully	1&2	No	No	No
Achieved as planned	1 & 2-No	n/a	n/a	n/a
Partially achieved	4	2	No	No

Footnotes:

1 Small organisation: up to 1,000 staff. Medium organisation: up to 20,000 staff. Large organisation over 100,000 staff.

2 Virtual/alliance/decentralised/integrated organisations

At first reading we have a wide divergence of data emanating from quite different organisations seeking different outcomes. In terms of context, organisations vary in size, two are public sector and two are private sector. We have organisations regulated by statute, others subject to parliamentary review, and one whose output is not subject to any form of official control or review. With the exception of EMI, there is a high degree of similarity in that the rest have clearly definable reporting lines and organisational structures forming a traditional hierarchy with centralised decision-making and comprehensively documented policies and procedures.

Child (1972), Weick (1995) suggest that decision makers do have the choice to intervene between the environment and its effects inside the organisation, they can -

- Select among several structures (all of which may be appropriate to their output)
- Choose the environment they will operate within
- Have the opportunity to reshape the environments in which they exist
- Improve the accuracy of their perception thus enhancing their chances of controlling it.

Weick adds that even if the environment is unmanageable (a proposition he clearly doubts), it can at least be 'softened'.

Within Parvin-May much play was made on the 'need to conform to the authorities' – repeatedly this mantra would be rolled out to provide a rational focus on the structure and control procedures. Not only is this confounded by other financial institutions that successfully balance the 'tight' requirements of the regulatory authorities with the 'looseness' of entrepreneurial flair, but it was really only believed by those stakeholders

with a vested interest in perpetuating the system – i.e. Henry and Stephen. To many of the others, as we have seen from their comments, it was a matter of preferred management style.

The Police, on the other hand – certainly at Chief Officer level - had always maintained a style of policing that fitted their own inclinations (or indeed excesses). The movement we have seen has been by Central Government to tighten the linkage and reduce the autonomy of Chief Officers, time will tell (but it will not tell it straight!) that, having had wide discretion in the past, and used it as they wished, the Police might have deprived themselves of the immediate prospects for operating a balanced tight/loose dimension. We do however note, in the manner of the sensemaking model, it only starts to make sense when disturbance of the status quo leads to reflection and change - we do not value what we have until we lose it.

FCOS, or rather the FCO, has always had accountability to the Crown for the loyal support of elected ministers of state. However, the style, structure and management of the FCO has largely been a matter for the PUS and his senior staff. In much the same way as the Police, it is only of late that Central Government has sought an active role in changing the way the Office delivers its responsibilities. In this way Central Government is again tightening the FCO's relationship with policy makers by attempting to align all Central Government departments.

EMI Recorded Music, for the most part unashamedly creates its own environment by selecting the type of music it records. It then uses skilled marketing to shape the expectations of its buying public – the difficulty that this organisation encountered was the reverse of the Police and FCO, whereas they had always been in something of a negotiation with the political dimensions of their environments, EMI had no such

experience to call upon. As an apparent consequence the organisation may have over emphasised its capacity to control its environment.

In summary, each of the case study organisations developed its own relationship with its environment, and whilst some of our actors tended to lay emphasis upon the restraints they worked under, in our view where they existed, largely, out of our actors own making (e.g. FCOS relationship with the main FCO). It could be argued that for some the very looseness of the coupling, aligned to an apparent inability to gauge relationships with their environments, led them into some of the perplexing situations that they faced (EMI Recorded Music). The exception to this being Parvin-May, for them there was no significant movement in their relationship with the external environment and yet Stephen *invoked* and, therefore, enacted the external environment as a means of bringing about internal change. This last point also impacts on the *process* comparison where there have been a mixture of changes imposed by external agencies and self-imposed for political and economic reasons.

With the Police, FCOS and EMI the changes described originated partly from within the organisations and partly from their environments. In the same way it is possible to view the changes as extension to a negotiated and ongoing continuum of change. For this reason we have described the typology for these changes as both episodic and continuous. This fits not only with the foreground and background views we have taken, but also the interaction with the environment. This was not the case for Parvin-May, where the fit was much more clearly in line with episodic change.

If we extend the timeframe over which we viewed Parvin-May eventually activity would merge as part of a continuous process of change, but our frame of reference is not sufficiently wide to grasp that sense of being part of a continuum. Due we feel to the lack of interaction with the external environment in connection with these changes

reinforcing our view that our actors, especially Henry and Stephen, created their own environment. We suggest this added to the consternation of managers, who suggested that Parvin-May was something of a 'one off' and was somehow disconnected by promoting its own brand of reality.

None of organisations had previously enacted changes of the nature described. However, all but EMI had some knowledge of similar enactment within other organisations.

In terms of outcomes, Parvin-May achieved two out of four of their changes, the transformation from *merchant* to *private* banking and the increase in profitability, none of the others could be said to have completed attempts at adaptive change. The inconsistency in these results needs to be explained, and a clue to this is given by the fact that Parvin-May did not always succeed in the way they had planned, we comment further on this later. Two of the changes were partly successful (Parvin-May and the Police) yet even here there is a question of deciding the meaning of success and whose meaning of success, we revisit this later.

There are plenty of areas where the case studies do not hold to points of comparison, especially; context and process. They start to come together at the point at which we examine the *experience* each organisation has with changes of the nature described. If we review the data from each organisation again this point is clarified.

Parvin-May had always been a niche market player in the banking world and even though it had been in existence since 1911 it had remained small, board control had been in the hands of a small number of shareholders. The Bank had never made a lot of cash but neither had it lost cash. In the words of the present CEO 'it had been literally the private bank of a few rich men – not really a business as such; indeed the

term business did not rest easily with them'. There was no history of change in core activity, re-structuring, reengineering or, indeed, many of the other popular management fads of the 70s through to the 90s. It is true to say that compliance with the regulatory authorities requirements had changed over the years, as indeed it had for all other UK financial services companies, but at most this could be viewed as part of the process of change brought about over a long time frame. Quite simply there was no internal or external pressure to bring about the type of adaptive changes we have detailed in the case study. The trigger point appeared to be the recession of the late 1980s and early 1990s that severely restricted the deal making activities of merchant banks leaving those without the means to diversify their activity under strain, the smaller institutions did not have the reserves to wait for the economy to recover then attract new business at reduced margins.

The Police in the UK also have a long history dating back to 1829. They witnessed changes in society and certainly technology that has enabled far greater levels of sophistication to be applied to the prevention and detection of crime. In 1974, a degree of economy of scale was applied to the reduction in the number of Police Forces in line with changes to local Government boundaries and responsibilities. Through external pressure they have delivered changes to the way they consult with local communities, but there is nothing in their history that suggests long-term changes to their orientation of both managing and policing through the principles of force neither, until 1983, had the Police fallen under the political measure of providing value for money services. It should be noted that the Police might well have been protected from this scrutiny, partly, at least, because, until the report of Lord Edmond – Davis, *Police Conditions and Pay* in 1978, the Police were poorly paid. The pay awards suggested following this report being implemented in full by the newly elected Conservative Government of 1979. Structurally the police organisation changed little since 1829, save that there are

now an increased number of hierarchical levels, prior to 1993 there had been no history of reducing the rank structure, only of increasing it.

The FCO, and our unit of examination FCOS, were attempting to modernise across a whole range of areas: technology, working to business principles, changing the structure and reducing formality and management style. In effect they were attempting to play 'catch up', having been shielded from many of the principles that had long been enacted in other parts of the Civil Service. Using the metaphor of *modernising* the FCO had, to all intents and purposes, not had to face this challenge until 1997. It was, therefore, something quite novel and untried. A pivotal point being when the PUS, having resisted many attempts at organisational change, through pressure from many different directions, became a proponent of the *modernising* agenda.

The music industry, until recently, evolved largely from a platform of maximising the benefit of copyright ownership. This has been so through the manufacture of physical product and control over public performances – the playing of music by radio stations, use in advertising and film production. Organisations have grown organically by increasing the appeal of popular music through low cost technology – portable walkmans, music centres and the like. They have also grown acquisitively through the purchase and merger of smaller music businesses. None of these changes has altered the basic tenet of copyright being the *raison d'être* for music companies. The concept of adapting to this change is also novel and is yet to be resolved. We have noted the dialogue inside EMI concerning parallel importations, the puzzlement of a senior executive at the thought of considering the concept of '*originalright*' and the difficulty in demonstrating to regulatory authorities how the music industry of the future might look.

Of all the companies we have worked with over the last seven years these are the ones that took our attention – not because the issues they were dealing with were of

such a magnitude that they made for compelling viewing, but the struggle managers had to engage and deal with issues for which they had no template, or at least none that they had enacted themselves. It was their puzzlement, surprise, frustration – even anger, that caught our attention.

We had witnessed large organisations 'downsize' (IBM, Compaq, Hanson, Imperial Tobacco and Sainsbury's), redefine 'core activity' (Inland Revenue, IBM, Excel Logistics, Storehouse and Cummings Engineering), change product or service orientation (Friends Provident, Norwich Union, Storehouse, BAT, Marconi and Sunseeker). Yet none of these had produced the same apparently intractable and enduring sense of puzzlement we saw within our case study organisations. In our primary consulting role we feel it was more good fortune than good planning to have been able to see the sensemaking process in action, the visible initiation for which always appeared the sense of puzzlement (what is going here?). In synthesis our organisations were separated by their differences of style, output and structure. What united them was that they were all making sense of novel situations that surprised our actors and ourselves! As we shall describe later these were the splashes of paint that fell between our canvasses.

In our next chapter we introduce a model that picks up from Pettigrew and links with the work of Weick by detailing the novelty of the processes we have referred to above.

Section 7:

Different 'strokes' for different folks

'Realities with which individuals and groups deal are socially constructed - that is to say, the meanings of events are arrived at through social transactions.'

(Wicker, 1992, p.170)

In the previous analysis we put forward the view that the meaning our actors took from the change discussed was based upon enacted situations of which they had indirect knowledge or no prior knowledge in the prevailing system. We suggested that the limitations this placed upon individual selection and retention (Weick, 1979), resulted in outcomes that were often incomplete or unexpected (Czarniawska-Joerges 1996). To put it crudely, their actions lacking the repeated *experience* of social transactions were akin to improvised first night performances and this made the outcomes unpredictable. There are degrees of improvisation (Weick, 1998) and those we witnessed spanned variations on an existing theme through to transformation into patterns of action for which there was no theme.

The model we use to link change to sensemaking is cognitive but heuristic; it takes the macro-social model of Pettigrew from section 6 and addresses the process of change through the micro-social sensemaking model of Weick (1979, 1995). In so doing it does not pretend to be exact but more a means of identifying the grounds for the proposition we develop in sections 8 and 9.

This section provides our final position on the GAS model where we view our data from the 2 o'clock position that is general and accurate. That is to say we seek to

generalise across our data and develop accurate causes for specific activity that we have viewed.

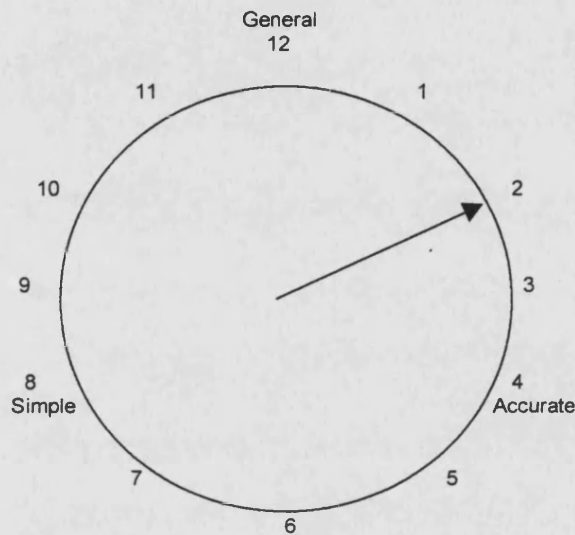


Figure 10.

We suggest that actors, faced with change, comprehend that change through powerful stimuli – knowledge/symbols/language that act as a three-legged stool to those who would build adaptive change upon their foundation (the three components need to be used in balance). This stimuli is tempered through a process of noticing. It is also tempered by selection and retention before a hand off into enthinkment/enactment and, as ‘we know that peoples sensemaking activities are prone to distortions resulting from incomplete or inaccurate information processing’ (Brown, 2000, p.46), we seek to unpick the causes of some of those distortions.

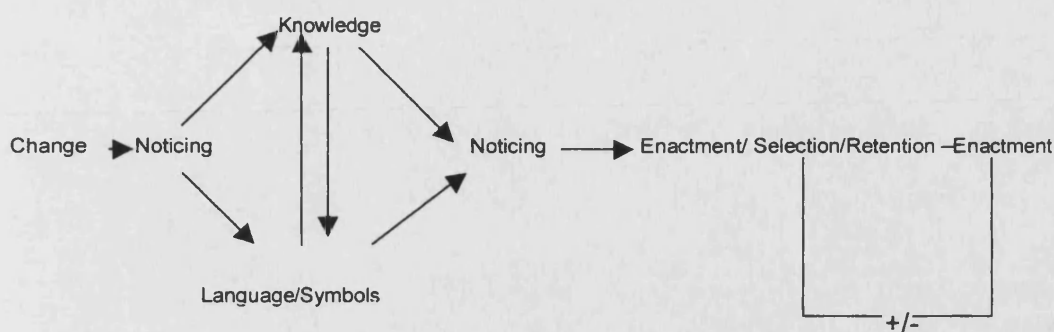


Figure 11.

In the model depicted above we position change as the first part of our process – the activity of our actors is predicated by a known requirement to adapt to a recognisable form of change – these are detailed in our case studies. This differs from Weick's (1995) example of sensemaking applied to *battered child syndrome* where we might think of sensemaking as a process of identifying and clustering apparently random phenomena – until a pattern emerges (the active collection of data by a range of public [health related] organisations followed by the sharing and acceptance by a wider audience an activity of wide social concern), until sensemaking is complete. In our case studies we see sensemaking determining the response to one set of phenomena, leadership identifying that phenomena and the sensemaking process of the organisation as it shares – or not - the meaning of that identification.

We, therefore, position change and the initial processing as a prior activity and a post activity to Weick's ESR model.

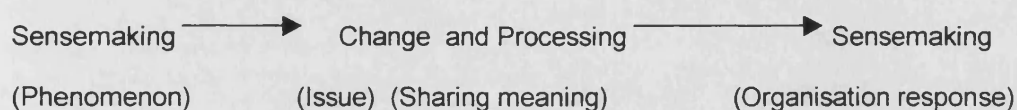


Figure 12.

Figure 12 above depicts a neat, linear flow of rational activity – even if the model is valid we recognise that life is not this straight forward. What we separate as individual parts of the sensemaking process are, in all probability, aspects of a concurrent and recurrent processing activity. Cook & Yanow (1993), Normann (1985) suggest that in the processing of information, the sharing of rituals and understanding of symbols is the cornerstone of building cultures and that this is what differentiates organisations. We do not claim to have a better explanation of the result of this processing (different cultures) and whether sensemaking is a by-product of culture or culture is a by-product of sensemaking does not form part of our current interest.

We suggest that interpretation or definition of a given change is subject to the process of noticing given meaning through social transactions in language and symbols (including behaviour) refined through a further process of noticing. Such meaning will be fed from existing knowledge – previous experience or referred/third party knowledge. To illustrate this position we recall an incident that sits outside our case studies. In the early 1990s' Sainsbury's and Tesco were engaged in fierce competition for the position of the UK's leading food retailer, a competition that Sainsbury's lost and did not win back. In the midst of this competition Sainsbury's, who were fast losing ground, announced to their management a new initiative; code named 'Genesis'. This had been flagged for some weeks but the detail had been withheld – it was widely expected to be a new method of attracting customers to the brand through creative merchandising. At this point then it was known that a change was on the way and it was reasonable for managers to assume – in the context of needing to generate greater sales and profitability - that the language would be some form of guide. Specific knowledge about the project was withheld but the executive had previously been credited with conservative, but essentially clear, policy

implementation. The only working knowledge of 'Genesis' was restricted to the dictionary or biblical definitions.

Within this bracketed scenario we have very limited information – in the form of language about a forthcoming project with knowledge restricted to a very limited source. If the required activity had been some form of national re-branding exercise the relationship between project/language/symbols and knowledge would have fitted a recognised model in this organisation. As it was, the project required the redundancy of 20 % of the managers, leading to the staff renaming the process 'operation genocide'. Not so much through the loss of jobs – unfortunate though this was – more that managers felt that the executive had deceived them. This changed both their understanding of symbolic activity (new projects), language (the meanings of which may be shared equally) and their knowledge of executive behaviour (they do not always make their intentions clear). The greatest difficulty for leadership and their people in this example being that leadership acted as though there was an overlap of meaning whereas there was no overlap and this caused severe difficulties when people felt that they had been deliberately misled.

Noticing

Within our model we seek to confirm that sensemaking is a process involving the activity of *noticing*. Whilst we identify social activity, track it across a period of time and provide it with a definition - and possibly a suitable metaphor, this does not mean that the end result, albeit a completion of the sensemaking cycle, will be welcomed by the potential audience. Indeed although people may move from a position of little knowledge, to confusion, to sensemaking, they may not like the meaning they find and choose to disregard it. In our case study of the Police, Ron, the Deputy Chief, recounted how the Police started to uncover what they labelled

'wide-spread corruption' amongst public officials. As the scale and implications became apparent the operation was terminated by political intervention precisely because the sensemaking cycle had been completed and significant actors did not like the potential consequences.

In order for sensemaking to receive wider public acceptance (in terms of maintaining and supporting awareness), it must go through wide ranging social and political refinement and receive at least nominal consent from interested parties whether they be actors or audience. We would suggest that this is so, whether through the publication of a popular management text such as *In Search of Excellence* (Peters & Waterman 1982) or the establishing of a pattern of child abuse such as *The Battered Child Syndrome* detailed by Weick (1995).

In looking at our case studies we see a relationship between leaders and context, and suggest that context provides the beat and leaders call out the tune. Not only do the two have to make sense, they also have to time their performance well or risk a meaning that could alienate their audience (for which there are also consequences). From this position a three dimensional formula is suggested between context, leadership and audience - failure to take account of any aspect of which can lead to unfortunate consequences. As the context shifts (the beat changes) and leadership recognises the need to adjust (adapt) the tune it has to play in a way that the audience understands, otherwise the performance becomes nonsense. The first part of this analogy – from an organisational perspective - is when leadership *notices* the change of beat and puts in place the requirement for adaptive change.

Starbuck & Milliken (1988, a) suggest that 'noticing may be at least as important to effective problem solving as sensemaking' (p.36) their distinction being that sensemaking picks up on subtleties and nuances, whereas noticing picks up major

events. We do not see any contradiction in this position; rather we suggest that the two complement each other. To them [Starbuck & Milliken], noticing refers to the activities of filtering, classifying, and comparing, whereas sensemaking refers more to interpretation and the activity of determining what the noticed cues mean' (Weick 1995, p.50). Further we also note a difference between noticing and scanning (Daft & Weick, 1984), search (Cyert & March, 1963) and active search (Argyris, 1996). For us, as with Starbuck and Milliken (ibid), noticing is a more subtle normalising activity that regulates what actors take from their environment. Search or scanning we view as a proactive process that sits in the area of knowledge gathering and fits inside our model (Figure. 11) under the knowledge heading.

Here we are dealing with 'major events' at least in the sense that the changes are debated and recognised as such by our actors. It seems important to us to understand what they do not notice almost as much as what they do notice. We see the process of noticing as part of the sensemaking phenomenon fuelling and enabling the active stage of adaptive change.

Noticing, for us, seems a particularly important aspect of the sensemaking phenomenon to consider during periods of adaptive change. Our posit is that there is a preliminary stage that sits in front of the selection and retention process, we notice the flow of information, based upon language/symbols and understand what they mean based upon our knowledge of the language/symbols. Our model suggests leadership wanting to present new issues to its organisation may notice the level of fit with existing schema and intervene by adjusting language/symbols and knowledge.

In the early 1990s, as part of its drive towards public sector organisations keying into business practices, the Government created an internal market for the former National Health Service and divided the service into competing NHS trusts.

In 1996 the audit commission published a paper on NHS Trusts (*Goods for Your Health*). In a highly critical report the Commission claimed that the NHS could afford an extra 25,000 hip operations if managers stopped wasting £150 million a year on over priced equipment - much of which was stolen, lost, damaged or hidden away to stop colleagues using it.

One hospital had £6,000 worth of out-of-date artificial limbs another was losing 40 kettles a year. Bigger hospitals had stopped advising smaller ones and competition generally between trusts had all but stopped co-operation.

Added to that, there was so much red tape from 'cumbersome old-fashioned bureaucrats', resulting in a typical order costing £30 to process. Suppliers, on the other hand, were paid late and often had invoices rejected because there were errors of a few pence.

For these Trusts we need to understand their sense of what businesses do, i.e. compare the above to Heifetz & Laurie (1997), Tersine, Harvey & Buckley (1997). For them success in business entails strategic alliances with customers and suppliers alike in the creation of interdependent relationships. Why did these organisations pursue policies that appear counter intuitive to contemporary business practices? For us it is wrapped up in what their leadership noticed was required to change and become a *business* based activity and, for many schooled in the public sector, they drew upon principles of business practice that no longer prevailed (buying cheapest, operating independently, little collaboration). To return to our

earlier analogy, the beat (context) had moved on but the leadership still played the old tune. This, for us, was not so much the responsibility of those within the NHS trusts more it was a responsibility for those at Government level who encouraged the change and failed to notice that it would fall outside the experience of those to whom they (as leadership) delegated the change.

Conger (1991) states that 'one critical role of effective leaders is to be skilful craftsman of their organization's mission' (p.31), and yet leaders are drawn to oversimplification as much as those who must interpret and act. A graphic example of this being the Pinto fires (Gioia, 1992) where *cost-benefit* was used to rationalise the potential deaths of 180 people against the cost of fixing a design fault on a Ford motorcar. Our data supports this case for oversimplification of mission and interpretation. Politicians who called for *zero tolerance* and *best value*. Stephen Reading the CEO of Parvin-May, who called for *responsible initiative*, but did not disclose his aims. EMI, who attempted to redefine its business as provision of *content* rather than ownership of *copyright* and FCOS, who announced that they were going to prepare for *executive agency status*.

Conger (ibid) above, makes a crucial point that good leadership requires craft, simple messages may be all that is required when organisations are lost and leaders are not sure of the way to go:-

'instill some confidence in people, get them moving in some general direction, and be sure they look closely at cues created by their actions'

(Weick, 1995, p.55)

Responsible leadership takes the difficult decisions, carries the burden of uncertainty and provides confidence. However, this is not the same as oversimplification of the change process that can lead to oversimplification of the noticing process and thus unforeseen consequences. Leadership is not about delivering barely understood metaphors and walking away.

Miller (1993), in an organisational context, terms simplicity as being 'an overwhelming preoccupation with a single goal, strategic activity, department, or world view' (p.117). Sull (1999), describes, in a similar manner, the way in which 'strategic frames blinded Xerox to the new threat posed by guerrilla warriors such as Canon and Ricoh' (p.46) or in the case of McDonalds 'its historical strength – a single-minded focus on refining its mass-production processes – turned into a weakness' (p.47). The extension to this view would be that a single view could be taken of meaning – something akin to the lowest common denominator. Unfortunately, as noted by Kanter (1983), whilst leadership might be preoccupied, as Miller (ibid) states, with a single goal (that for our purposes might be a particular adaptive change) the audience might only notice previous failures and false dawns, their attempts at abstraction being limited to working out how to maintain the status quo without undue disruption or challenge to the leader. This is certainly the feeling we picked up in FCOS where successive initiatives had been announced but few had been led with any sense of enthusiasm, resulting in a strong sense of cynicism for staff who nodded sagely and then told the consultants that they had heard it all before. What they noticed was the pattern of poor leadership not the requirement for adaptive change or at least the former dominated the latter and actually made the noticing of change difficult – even depressing.

In Parvin-May, Stephen Reading advocated the individual use of *responsible initiative* – whilst a powerful leader he had difficulty reconciling what Pettigrew (1992)

describes as 'the countervailing influence of others inside.... their own organizations(s)' (p.163) In Stephen's case this was the influence of Henry Simme, the chairman, who did not recognise nor encourage the taking of initiative. Consequentially, managers who had long noticed this pattern of behaviour sought out the lowest common denominator in the forming of committee based forums for displaying initiatives, thus preserving their relationships with both Stephen and Henry.

At figure 11 we position noticing after adaptive change and after knowledge and symbols/language to emphasise our view that leaders are faced with an audience who may, due to existing histories, be more concerned with simplifying an already simplified change into a typology that has more to do with confirming normative patterns of behaviour than changing them, prior to considering the worth of the change itself and how it is reflected in knowledge or symbols/language. 'Noticing determines whether people even consider responding to environmental events' (Starbuck & Milliken, 1988, a, p.60).

The risk for leadership looking to bring about adaptive change is that what they promote as important may be lost as background activity that has little impact. Our point being that these issues need to at least get an airing – or an opportunity - in the foreground in order that meaning can at least be verified but supported by the knowledge, language and symbols of the background.

At EMI we saw how the term *copyright* dominated the foreground – so much so that for one senior executive he had to be repeatedly confronted with a challenge to this assumption before he was able to find meaning (through the metaphor of 'crown jewels') for '*originalright*'. Only then was he able to concentrate on symbolism and knowledge. We would hold that at this point he took notice, in a foreground sense,

and then enacted this 'new' environment. There is a puzzle here for which we do not have the answer; at an individual level actors found difficulty in relinquishing their hold on *copyright* even though organisational activity (the proposed merger) could shift quickly into a new meaning. This is different from FCOS where background behaviours had been challenged by the *modernising* agenda and accepted as appropriate foreground activity (there appeared to be no conceptual difficulty) the change process broke down at the stage of enactment.

By way of contrast, in all probability, the Government would not have understood the consequences of heavily supporting the concept of '*zero tolerance*'. For them it would have been another in a long line of political initiatives – once again a simple message but one that went straight to the foreground of activity and background of imbedded culture. For many years, as we have noted, the Police reduced many of the community based initiatives that they were encouraged to embrace into background activity from which many rank and file officers attempted to distance themselves. *Zero tolerance* not only got noticed the meaning attributed to it went straight to the core value of policing and played to the service-force debate that we have previously seen, biased towards force as an internal and external driver of what policing is about. Symbolically the concept sat easily with the bias of force and such was the power of the metaphor; it had a self-defining quality that was readily understood and applied.

In attempting to change the structure of the Police, the Government ensured that the issue gained foreground attention. They also ensured – but may not have foreseen - that the threat to the bias of force in the service-force dimension was also quickly understood and defended. Had the Government positioned the issue in the background, by using incremental changes aligned to changes in management behaviour through the Police Staff College and other management development

venues, such changes may have survived longer had they not been perceived as fundamental foreground issues of self-image and values.

Language as symbols



People who find a vivid label and then push it persistently often are able to redirect organizational action, because they have gained control over how the organization defines itself and what it says it is up to.'

(Weick, 1985)

For us, language is the currency that binds our actors into areas of creating meaning that we wish to develop. Language is one of the main tools of management but as a tool its use requires consideration and appropriate selection, especially for those seeking to direct organisational activity.

'Powerful language and metaphors set a tone, provide direction and gain commitment. Wise strategic managers

take advantage of language, metaphors and stories that originate elsewhere...a strategic manager would concentrate on the values, symbols, language and dramas that form the backdrop for decision-making structures' (Smircich & Stubbart, 1985)

The importance of language in the process of change is given emphasis by Martin (1993) '[organisations] do not change until a new strategic language finds its way to every corner' (p.94).

The information our actors receive about given changes, and the knowledge they accrue, is a sharing of meaning that leads to understanding of what the process holds for our actors.

'Life is neither meaningful nor meaningless. Meaning and its absence are given to life by language and imagination.' (Batchelor, 1997, p. 39)

This is not to say that actors will take equivalent meaning, to make sense and serve the common purpose of sharing meaning there needs only to be some minimal overlap as we have previously described.

'We understand a statement as being true in a given situation when our understanding of the statement fits our understanding of the situation closely enough for our purposes' (Lakoff & Johnson, 1980 p.179)

We, therefore, agree with Bird (1994) who sees information (in our case about given changes) as 'flow' and knowledge as 'stock' (retention/memory). Here we are

concerned with information. Later we turn to knowledge but the link is an obvious one. When faced with information we will compare that information to our stock of knowledge, thus managers at Sainsbury's found their stock of knowledge about '*Genesis*' limited to known definitions.

Whilst we have made our position clear; that language serves the purpose of sharing out meanings that may actually hold very different meanings to different people, we also acknowledge that our actors attempt to secure equivalent meaning and that this is often by use of metaphors and symbolic representation to enable others to 'see' what the deliverer (or in this work leadership) 'sees' through an analogous and commonly understood referent. As we have noted above with the example from Sainsbury's, metaphors play an important part in the process we seek to understand.

Metaphors not only matter 'as a mode of thought' (Mangham 1995, p.1) 'it's a primal means through which we forge our relationships with the world' (Morgan 1993: p.227). They both drive and are driven by enactment with the capacity to both restrict and expand our thoughts and actions.

Pfeffer and Salancik (1978) suggest that all information is representative. 'What a person sees is not the stimulus external to himself but a representation of that stimulus' (p.72). Metaphorical understanding is not fixed, yet if it creates a neat label, and is strong it carries a compelling trace of past meaning, but not the *only* meaning (Czarniawska-Joerges, 1996, emphasis added).

One of the difficulties for our actors, was the implementation of stylised concepts in the form of neat labels; e.g. creation of 'business units', 'business process reengineering' and 'empowerment'. All of which infer that 'solutions consist basically of simple metaphors' (Keiser, p.59). A point with which Pfeffer and Salancik (ibid)

take issue: 'there are no meanings that the world gives to us as valid' (p.73). They hold that there are only our beliefs supported by evidence; the observer creates meaning - such is the difficulty for our actors as they grapple with adaptive change in organisations, bringing common meaning to common purpose (Mangham & Pye, *ibid*).

The music industry recognises at a macro level assets may be measured in terms of *content* yet individuals cling tenaciously to asset value meaning *copyright*. Again at Parvin-May - initiative is taken to mean collective or committee based initiative. There is no evidence to support the taking of initiative at an individual level despite what the CEO tells his managers.

Weick (1993), in his analysis of the 1949 Mann Gulch fire disaster in which 13 fire fighters died fighting a forest fire, describes the accident as 'a collapse of sensemaking and structure' (p.634). The fire team or 'smokejumpers' as they were known were caught by their own construction of meaning. The fire had been described as a 'class C, 10.00 fire', that is, one covering an area of 10 - 99 acres capable of being extinguished by 10.00 a.m. the following morning. In fact it covered 4,500 acres and took 450 men five days to put out.

Weick suggests that the crew 'rationalized the image [of a 10.00 fire] until it was too late. And because they did, less and less of what they saw made sense' (p.635), yet still they persisted. The ability of the crew had been inhibited, initially by attributing the 'wrong' label and then further exacerbated the situation by failing to construct new meaning that might have allowed them to loosen their reliance on a previously enacted set of circumstances. The crew had experience of 10.00 fires; they knew how to cope both with the fire and each other (maintain a sense of organisation). We would suggest whilst the fire fighters did not create or spread the fire their enactment

both allowed the fire to spread and killed them. They had started to create an environment, a context through the initial stages of enactment that was at variance to the environment in which they found themselves. They responded to a powerful metaphor and shaped their actions based upon their knowledge of that metaphor – i.e. relatively small, easily contained fire.

Commitment to a belief or set of values, as Weick (1988) notes in an earlier work on the Bhopal crisis, can be a key aspect of creating a blind spot for an organisation and one that may deepen a crisis. Much of this commitment appears bound by tightly coupled meanings and this can lead to inappropriate enactment.

Our interest is in how actors' understanding of environments and their construction of meaning are influenced by their understanding of the information 'flow' (metaphors, symbols etc). Tompkins (1984) puts it as the 'study of sending and receiving messages that create and maintain a system of consciously co-ordinated activities or forces of two or more people (pp. 662-663). Here we differ and question 'consciously co-ordinated', we would prefer to add the rider 'or tacitly' [co-ordinated]. Our position on this is closer to O'Reilly & Pondy (1979) who define communication as 'the exchange of information between a sender and receiver and the *inference* of meaning between organizational participants' (p.121 emphasis added). The process to us is far more subtle than 'consciously co-ordinated' and this helps to explain the sensemaking process where a little inference goes a long way.

In the Foreign Office the response by the Permanent Under Secretary to Government initiatives had been reduced to 'the PUS has delivered his response' commonly taken to be shorthand for a blocking manoeuvre (the catch being that it was necessary to be an insider to interpret the shorthand and construct a cultural longhand). Parvin-May would refer to the way the 'Bank thinks' recognised as being a conservative and

restraining influence on decision-making e.g. a routine test for any change would typically be - 'is this the way the Bank should behave?'. Even though the investment and trust departments made the real cash, the banking area dominated activity, and thus, the 'Bank' acted both as a functioning department and as working metaphor for maintaining behaviour. In this organisation 'Bank' was a powerful label and this appeared to reinforce the authority of the banking department.

Colville (1997) makes an important connection here by quoting Schattschneider in Lukes (1974) and linking organisation - as the mobilisation of bias - with switches of metaphor within organisations. Metaphors themselves being inherently biased (they carry the baggage of previous history or meaning) provide a possible platform in changing the bias of organisations through the changing of meaning. Morgan (1986) notes 'in encouraging us to see and understand the world from one perspective they [metaphors] discourage us from seeing it from others' (p.12).

In the case of Parvin-May, the inference associated with 'Bank' would not be readily identified as a verb in the form of a metaphor, it would have been seen as a simple noun, thus, it was liberally peppered through many conversations about changes that 'the Bank wanted to bring about' – being a conservative institution the Bank wanted no such thing and we might suggest that this choice of language helped to trip up our actors – seen particularly in Stephen's frustrations.

Morgan (1986) suggests that the 'use of metaphor implies a way of thinking and a way of seeing' (p.12). Further he suggests 'Images and metaphors are not just interpretative constructs used in the task of analysis. They are central to the process of imagination through which people enact or 'write' the character of organisational life'. Not as a theoretical construct but as a quick method of building common purpose or understanding. Fisher (1985) contends that metaphors are a means for

developing and informing points of view in a persuasive yet non-argumentative fashion. This seems particularly important where meanings are shared - or at least shared out in a non-contentious context i.e. shared understanding without dissonance.

Language and leadership

Much of our data concerns the actions of leadership acting as interpreter (what a change means) or defining action. It is important, therefore, to consider the roles of leadership in the use of language.

If defined and constructed words create rhetoric, 'the persuasive aspects of discourse', then there is an implication that those imbued with the power of rhetorical persuasion also have the power to 'not simply reflect reality, but constitute[s] it' (Fineman & Gabriel p. 377).

If leadership includes the management of meaning, Smircich & Morgan (1982), Mangham & Pye (1991), it also implies a responsibility for usage; the creation of meaning and interpretation of meaning through words. Good leaders will create good meanings through the use of good words (for good read words that assist sensemaking). Mangham & Pye go further and suggest that it is in the framing of words in the form of 'telling stories' (p.126) that leaders attempt to shape and form meanings for those who work within organisations and those who have possible influence or value for the organisation. 'Values, dramas, and language comprise the symbolic foundations that support the everyday prosaic realities of management information' (Smircich & Stubbard, 1985, p.730).

Weick (1995), Sutton & Kahn, (1987) provide us with a further guide to stories, they suggest that a repertoire of stories is important for meaning to take place and that

those that connect in some way create meaning. Further they state that the connection between the two raises the possibility that outcomes can be predicted, understood and possibly controlled.

Drath & Palus (1994) appear to create some confusion here, by asserting ‘..in other words, one person does what some other person influences him or her to do because doing it makes sense to both people’ (p.4) Indeed they go further in their posit that leaders create meaning and make sense for their people. ‘Authority is a tool for making sense of things’ (p.6). Our data suggests that this is too simplistic a view and confuses meaning and sensemaking. The story of *genesis/genocide* at Sainsbury’s makes this point for us, leadership in that organisation created meaning (there would be redundancies) people made sense of the activity by changing the language to meet the symbolism and their knowledge of similar actions, this is some way from; ‘because doing it makes sense to both people’ (ibid).

Leaders can use authority to create meaning even though there may well be a compelling reason why such meanings should not be accepted. ‘Fears and anxieties especially, contribute to how people make meaning, what is learnable and the costs (and benefits) of what is learned.’ (Fineman, 1997, p.20). As Mangham and Pye (ibid) suggest this could include ‘...sustaining patterns of mutually expected response’ (p.28) from people acting inside or outside a hierarchical relationship. There is simply more benefit in accepting the hand that is dealt than challenging it, if you want to stay in the game then it is sometimes necessary to make the most of what you have - like it or not.

Routine responses are the normal patterns of behaviour within organisations. The payoff is in the sharing of meaning in a manner that fulfils expectations (Sederberg, 1984) - even if that meaning qualitatively or quantitatively does not make sense.

Brown (2000) puts it that 'some voices are more (and some less) privileged, and it may often be more appropriate to describe sense as a power effect rather than a negotiated consensus' (p.46). Bate (1994) suggests: -

'we generally prefer to use language as a substitute for raw power or brute force in organizations, and because of this preference language has come to be the main vehicle through which most of our activities take place'
(p.251)

We note with interest the inclusion in this observation by Bate of the words: *generally* and *most* but not always. We cannot ignore the exercise of power that may not notice and not see the need to notice. This is hard to pin down but there is some sense of this with the actions and words of Henry, chairman of Parvin-May who clearly feels that, in a proprietary way, it is his Bank and people will do as they are told. In the main, however, we have seen the recognition and responsibility by leadership to use language to create and share out meaning even if their attempts may, at times, have been less than successful.

Language as meaning

The Police are engaged with the gathering of statistical information about *best value* policies – significant others [at the Home Office] have made this a mandatory requirement for Chief Officers – who clearly understand what is required of them (they *get* their share of the meaning) but spending considerable parts of their budget to gather such information makes very little sense to them – but they still do it. Whether the enactment is of a type or quality envisaged by the Home Office is a different matter – they get their statistics but the process may be one that they would not support. This is the point of this discussion – leaders do not have to make sense

in order to create activity, but if they do not make sense unpredictable outcomes may follow and this is seen in sections of our case study material. Mystification occurring when people around them talk as though they share meaning on an equal basis, then do something entirely different from that expected.

It is our belief that here we are reviewing a key phase of sensemaking, by *doing* different actions our actors confirmed their sense of meaning by *enacting* what they believed, as Fineman (1983) puts it 'rehearsing their parts' (p.149).

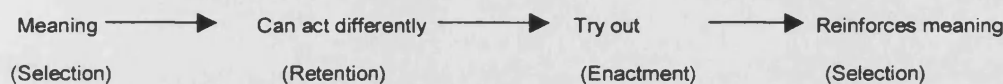


Figure 13.

At Parvin-May, the Police and EMI we gained a sense of trying out or enactment with metaphors acting as a 'tool(s)' to emphasise the 'multiplicity of rationalities' and 'functions' (Czarniawska-Joerges, 1992, p. 30). If those metaphors made sense - in terms of creating symbols - then 'the organization derives meaning and significance from the interpretations which others place upon it' (Selznick 1949/1966, pp.19-20) and thus the rehearsal is elevated to a more stylised production where acceptable interpretations will be rehearsed, negotiated and confirmed into recognised symbols.

'The interpretative procedures enable the actor to sustain a sense of social structure over the course of changing social settings, while surface rule or norms provide a more general institutional or historical validity to the meaning of the action as it passes, in a reflective sense.'

(Cicourel, 1974, p. 27)

This was a process FCOS struggled to achieve, if others were improvising (from a theme) their roles – finding their way by acting out meanings they confirmed or built upon, those at FCOS appeared to suffer from something akin to stage fright that prevented even the first unpolished attempts at trying out or enactment. Stephen, a central figure at Parvin-May, may have been perplexed by the way his people enacted *initiative* but at least he had the opportunity of renegotiating further changes having viewed the outcome. At the FCO the PUS had far less information to work from as there had been far less *doing* an issue to which we later return.

Here Weick's discussion on 'talking the walk' (1995, p. 182) is invoked. Our actors 'walk' into roles, they have a sense of history through commonly understood meanings, but in adapting the role to themselves there is an enactment phase in which exploration is through talking and walking. As Weick points out in quoting Tichy & Sherman (1993) in 'walking the talk' we take on the reality of others and it is only when we create our own walk that we can fit the appropriate talk or meaning to it.

There has been no attempt here to break out language from symbols on the basis that language is symbolic (Blumer, 1969, Feldman & March, 1981, Berg, 1985). However, symbolism extends further into an organisation's culture as basic assumptions that operate, largely at a 'tacit level' (Dyer, 1982) manifest in the values recognisable and commonly held by members, but also extending to artefacts – in a literal sense, uniform badges of rank, reserved car parking, large offices and social constructions such as organisational structures.

The most vivid example of language symbolising organisational behaviour through values that we came across in our research (Colville et al, 1999) was that found at AES Inc. an American power generating company. This organisation founded on a

\$64,000 loan operates 125 plants worldwide in areas as diverse as Hawaii and Kazakhstan. The company employs 14,500 people, produces 44,000 megawatts of power and has a market capitalisation of \$25.54 billion.

AES operates its company on four explicit values: fairness, social responsibility, integrity and fun. This highly successful company led by Roger Sant and Dennis Bakke had:-

'its [toughest] year in 1992 – not economically, but in the more important area of principles and values. There was a major breach of the AES values. Nine members of the water treatment team in Oklahoma lied to the EPA [Energy Protection Authority] about water quality at the plant. There was no environmental damage, but they lied about test results'

(Bakke quoted by Wetlaufer, 1999, p118)

As a result of this incident, AES came under very strong pressure to reform their management principles along more conventional lines after self-disclosing to the authorities. A pressure that they resisted, these four values were more than a passing whim, they were the sustaining mantra of the organisation and without them AES would cease to be AES, or at least in the way described here.

Management bonuses are reduced if staff do not score them highly on maintaining an environment containing a high dose of fun. Suppliers are expected to take care of their staff, pay decent salaries and make reasonable profit – this is an example of fairness. Contracts will not be sought where it is necessary to bribe Government officials, even though this may restrict their markets particularly in third world economies – this is one example of integrity. AES is not a household name, even

within countries where they operate. At Medway in Kent, AES supply 1m homes with electricity but they are barely known outside the community where they provide training places for young engineers, even when they do not need their services long-term, this is how the company maintains its social responsibility.

In our case study on the Police we provided evidence of artefacts and social constructions such as the wearing of uniforms, the system of rank and the rituals of behaviour that sustained one particular type of social order. This does not mean that such meanings are immutable 'rank' does not always mean separation into strata, organisations tend to adapt such meanings to their particular contexts. Pfeiffer (1989) describes life on board a US aircraft carrier where members of the US Navy have developed a behavioural model that gives the captain overall command yet invests significant authority in the expertise of those lower down the chain of command. The rating who calls the weight of an inbound F14 Tomcat determines whether the aircraft crashes into the bridge, is slung backwards into the sea or is restrained safely by the arresting wires set to the exact weight of the aircraft just 7 seconds before it lands.

Pfeiffer gives an example (p.44) when this explicit interdependence was not operating. Earlier in November 1985 the USS Enterprise, whilst being evaluated for operational readiness, was seen by a number of men on the bridge to be heading for Bishop Rock off the coast of Southern California. The captain, who was also on the bridge, had not seen the hazard and no one told him about it. They assumed that, as captain, he would have control of the situation. This incident resulted in millions of dollars worth of damage.

To maintain the importance of interdependence on board the Enterprise, after each mission when inbound fast jets have landed, '150 or more officers and enlisted men move shoulder to shoulder across the full width of the flight deck, heads down. It's a

FOD (Foreign Object Damage) walkdown ...clearing the deck for the next mission' (p.43) during this process there is competition to spot the smallest piece of debris and a complete lack of deference to hierarchy. In this way a symbolic ritual is used to extend the requirement for interdependence across all critical functions in the carrier, whilst still operating within a formal, disciplined, environment.

We have taken the space to touch upon symbolism in order to try better to understand the response of our actors to the changes that faced them. We would agree that the separation and processing of knowledge, language and symbols is wholly artificial in that all could be said to relate to knowledge or retention. Berg (1985) for example talks of symbolic reality as 'coded and stored collective experiences' (p.285). However we feel a simple model allows us to deal with this complex processing in a way that identifies interlocking and overlapping aspects of the sensemaking process, any one of which may lead to the consequences we have seen in our case studies.

Knowledge

Within the heading 'knowledge' we see the processes as being those of checking out what we already know about a given issue or the language that supports it. There are clear overlaps with what we term knowledge and others term learning and search. Taken as a whole the sensemaking process would seem to reflect learning. 'We find that learning appears to be about re-punctuating the continuous experience of the organization' Weick & Westley (2001, p. 444) which seems to sit easily with the enactment, selection, retention (ESR) model (Weick, 1979). Within this section we try and break out the passive stage of learning – as knowledge (the repository) and refer to the active stages as being search and learning.

Earlier we termed Knowledge as a repository against which flows of information are validated. This is fine for confirming information about which our actors have a reasonable level of confidence (Fiske & Taylor 1991). To meet our purposes we also need to consider knowledge sourced through formal theoretical input and active searching for knowledge. We see that our model at figure 11 operates both at the individual and organisational level, although set piece knowledge development and search are more likely to be aspects of organisational activity with individual knowledge capacity growing as a consequence.

Weick (1995), deals with the issue of gaps or uncertainty in knowledge levels with his discourse on 'ambiguity' (p.95), where he separates ambiguity as 'confusion created by multiple meanings' calling for social construction and invention or 'ambiguity understood as ignorance created by insufficient information'.

Within our case study of EMI we observed ambiguity in the defining of 'parallel importation' [of music product]. For some this was causing havoc with local markets, subjected to cheaper importations whilst to the exporter this was an opportunity to increase sales – even though both parties might work for the same company. Their knowledge of the meaning was subject to repeated negotiation and redefining through social interaction. In this way their knowledge of 'parallel imports' grew. Language, as we have seen in other parts of our study – e.g. EMI defining *originalright*, Parvin-May *initiative*, the Police *zero tolerance*, Sainsbury's *Genesis* and others, can be taken as a critical part of the sensemaking process, learning what activity means and how it is represented through language. This becomes important for the passing on of knowledge as action and description of action (Fiol & Lyles 1985). From our data we have seen that the two are not, necessarily, the same thing.

In FCOS a lack of knowledge about contemporary business practice led to delivery of set piece training interventions that gave indirect knowledge of events that had taken place in other organisations. This, undoubtedly, gave actors knowledge that would allow them to gauge responses to future changes, but it also challenged their identity, and this may have led in part to what we have described as their inaction. On several occasions, whilst observing set piece training for senior middle managers, we heard comments such as 'we are diplomats not business people', 'you cannot put a price on public service' and 'how do you value being shot at in a riot in Johannesburg?' Clearly, in this context knowledge of business practice could be viewed as having the opposite effect to that sought – it actually aided the sensemaking processing and challenged them to act in ways contrary to their self-image (Ring & Van de Ven,1994). This raises the intriguing possibility that their resistance to change was tightened rather than loosened by the very act aimed at assisting the process of organisational change at least for those who had established successful careers built upon the prevailing culture.

'The ambiguity and complexity of their worlds imply that perceivers may benefit from by using multiple sensemaking frameworks to appraise events; but perceivers are more likely to act forcefully and effectively if they see things simply, and multiple frameworks may undermine organizations' political structures. Malleable worlds imply that perceivers may benefit by using frameworks that disclose opportunities to exert influence, but people who try to change their worlds often produce unintended results, even the opposite of what they intended.'

(Starbuck & Milliken,1988, a, quoting Brunsson,1985 and Wildavsky,1972, p. 60)

In our earlier case study analysis we suggested that our actors had no direct experience of dealing with the type of issues facing them. This would, of course, be a further way of differentiating knowledge according to whether it has been directly or indirectly experienced. Repositories of knowledge are built irrespective of the immediate change (we continue to build knowledge whether or not we are called upon to refer to it) but we might suggest that the organisation striving for innovation as a means of maintaining a competitive edge (Greve & Taylor, 2000) is more likely to be successful by conducting active searches and thus create the environment of uncertainty from which changes flow quite naturally. This is a qualitatively different case from those organisations that tend to respond to the requirement for change imposed by external agencies.

From our case studies we can see the effects of this bi-polar situation. At one extreme we have EMI who have sought out a solution to maintain competitive advantage following the encroachment into their market of sophisticated technical methods of delivering music to their customers. At the other extreme FCOS has been required by Central Government edict to modernise and prepare for executive agency status.

EMI were able to draw comfortably on knowledge based on a series of joint venture projects in the e-commerce market, manufacturing or distribution areas. They also operated an in house technical R&D department of some 250 people and had a number of cross sectional planning forums. From these activities incremental changes had taken place with little disruption to normal activity. Knowledge had been constructed of what this process was like and how opportunities could be converted into action. Taking action, even highly dramatic, mould breaking action was not seen as novel, whether such activity was seen as correct is a different matter, some people questioned choice of action but not whether dramatic action was justified. EMI

was familiar with, and had knowledge of, implementing a wide variety of changes. Indeed they conducted active search (Argyris, 1996) on a regular basis and we might suggest that this created as much disturbance as organisational uncertainty (Stinchcombe 1990, Weick 1995) the difference being between planned and unplanned disturbance.

FCOS, on the other hand, had little history of ambiguity in its output or structure. Its managers were grounded in dealing with activity through known processes and in known ways, their distinctive competencies (Hambrick & Snow, 1977, March 1991.). For FCOS to understand business activities they looked to theoretical input or attempted to replicate behaviours seen in other organisations. Greve & Taylor (2000) suggest that this is a qualitatively different process to the active search and experimentation witnessed in EMI.

From our observations and questioning of key actors in EMI, active search led to experimentation and a far greater ability to engage with changes of behaviour than were seen in FCOS. For us then knowledge, in this context, is not limited to theory of doing, it includes the *experience* of doing. Hambrick (1982) puts it that 'distinctive competences appear to arise primarily through the propensity and ability to act on certain environmental information' (p.167). The experience of acting or doing is the key difference between the extremes of our case studies in this area. Hambrick goes further by suggesting that 'an organization's ability to mount a competitive response to an environmental shift may not be limited by its knowledge about that shift, relative to its competition. Rather the organization is primarily, restricted by its capacity to act on the information.' (p.168).

We do not suggest EMI lacked the ability to act – far from it - we suggest they had developed this competence and stand alone of our case studies in this regard. We

return to later to consider their choice and delivery of action but for now we suggest that EMI had the knowledge to take action but this was experimentation of the highest order and for that their knowledge had to be of the highest order. This includes knowledge of what they knew and knowledge (and consequences) of what they did not know. In this case the response of the regulatory authorities to the creation of a dominant vertical market in the form of one organisation.

Part of the reason for this, we have already concluded from our first level of analysis, may be explained by EMI's loose relationship with its environment – it dipped in and out in order to develop music product but had little need to understand or indeed notice the activity of working with the regulatory authorities. Closer working or more active exploration may have secured a better level of knowledge.

Weick & Westley (2001), refer to 'organizational learning' as an oxymoron 'to learn is to disorganize and increase variety' (p.440). Of the organisations we worked with a number were prepared to learn concepts and theory yet most disassociated such learning from behaviour. More often than not learning of this nature was something they did or was done to them. Picking up on Weick & Westley (ibid) these organisations had spent many years perfecting their organisations and of those we observed only one, EMI, was able to talk easily about the need to disassemble in order to move forward, even though, by the measures of many of our other organisations, they would have been regarded as successful in their existing form. Of note and value for our discussion later; EMI were comfortable taking action to disassemble, not as a process to be enjoyed, but as a necessary safeguard for the future. These preferences did not operate at a cognitive level, they were emergent or evolutionary processes that had suited the nature of the organisations. When we raised these points with our actors they were unable to connect with any deliberate processing it was more 'the way things are done around here'.

Problem formation

The model described in our heuristic at figure 10, is a bridge into Weick's ESR model. More specifically, Weick describes retention as 'a reservoir of beliefs' (p.187). He goes on to say that selection is based upon whether or not previous retention is credited. In our model we are suggesting that new 'enactments' (for our purposes - changes) are 'fitted' (noticed flows of information tested against existing language/symbols and knowledge). If we find a fit with existing retention the process is credited, or as Weick (1979) has it, 'I'll see it/select it when I believe it/retain it' (p.187).

- Problem 1 - This immediately causes an issue for the selection process in that, if believing is seeing – and we have no retention of enactment direct or indirect with which we can judge – we end up with unresolved confusion
- Problem 2 – if organisations only process information based on what they know of previous enactments they limit their scope for dealing with changes in their environment to what is already known
- Problem 3 – if organisations evolve on the basis of retaining what works they are less likely to be willing to change without seeing their mistakes (seeing is believing)
- Problem 4- if organisations are risk adverse and are unwilling to make mistakes they are less likely, when in doubt, to enact their selection

Handy (1994) describes the development of organisations by utilising the Sigmoid Curve that 'sums up the story of life itself, we start slowly, experimentally and falteringly, we wax and then we wane' (p.50).

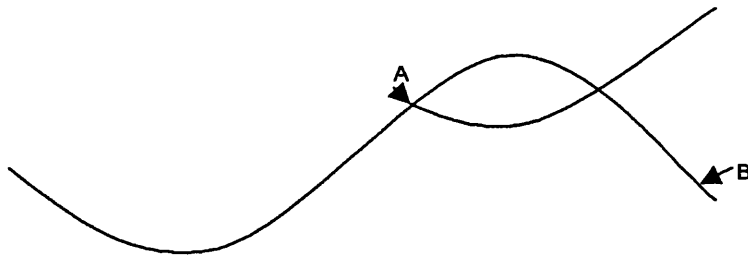


Figure 14.

The figure (above) suggests that a typical life cycle for organisations is a slow beginning, leading to increased success (point A), however, failure (or fear) of changing a successful formula leads many organisations to decline and fall away (point B). Organisations that are aware of this trend seeks ways of changing the status quo, the institutionalised disturbance that we talked of earlier, and (at point A) seek ways of re-generating further growth, even though this might produce short-term difficulties. The essence of the problem formation (1 – 4) above results from the comfort zone organisations tend to enter when they reach point 'A' on the Sigmoid Curve.

Rigid or tightly bound organisations tend to lack the ability to adapt successfully to changes in their environments (Berg, 1985), whilst those that are loosely bound tend to be able to work with changes to their environment (Chesbrough & Teece, 1996). On this basis it is possible to form a typology of our case study organisations. Identify which category they fall into – run the model and determine whether they encounter the problems we list at 1-4 above.

Typology

Parvin-May was a small Bank with less than 200 staff yet, as we have seen, it was tightly bound by processes, committees and organisational structure, in turn managers were regulated by sanction from the top of the organisation which had a profound effect in restricting initiative.

The Foreign Office has operated with a settled structure and a known output for many years and this has led to longstanding rituals and a style of management that provides a form of paternalistic support, but little individual personal challenge.

In the Police uniformity has developed, nationally, across a wide range of issues; the response to organised crime, race relations, cautioning policies etc, perhaps more so now that at any time in the last 40 years due to the political pressure that the Police face. Whilst the Police are attempting to address issues of devolving responsibility, they still operate (and reinforce) a command and control structure, which must be considered to lead to a rigid style of organisation.

EMI with over 100 years of tradition and 10,000 employees worldwide maintained a de-centralised approach to its business, keeping decision-making relatively close to the ground. There were few centralised policies and the structure was very complex with overlapping reporting lines and responsibilities. This organisation stands out from our other case studies as being loosely bound, managers were encouraged to maintain the theme of music production (as a business operation) but to work to the maxim of what audiences *might* appreciate at some stage in the future. Inevitably this would entail a high degree of speculation and cost (supporting bands that failed to make the grade) but this was regarded as a price worth paying to maintain the flow of opportunities, some of which could be expected to make the company

considerable sums of money. This remains a non-exact science with new trends originating out of obscure origins but one requiring a very open style of organisation prepared to engage with the unknown.

Whilst at first reading, a ratio of 3:1 in favour of tightly to loosely bound organisations might seem unduly biased, this ratio holds together as being representative of what we found at many of our research sites, which tended to be dominated by organisations focused on reducing the complexity of their environment through systems and controls, rather than increasing complexity by reducing systems and controls. Few of the organisations visited were start-ups, most had been around for a considerable number of years and, whilst some organisations found a middle ground by isolating research or design departments, only one other, AES, could be described as loosely bound.

Problem identification

Parvin-May

At face value (we return to this shortly) two key problems were apparent that is: 'if organisations only process information based on what they know of previous enactments they limit their scope for dealing with changes in their environment to what is already known' and 'if organisations are risk adverse and are unwilling to make mistakes they are less likely, when in doubt, to enact their selection'.

These problems were manifest in the lack of enthusiasm shown for profit generation or the taking of initiative. In order to overcome these problems Stephen developed a range of actions: -

- He publicly lost his temper at the Strategy Weekend, drawing the attention of his staff to the fact that he took these issues seriously and therefore the implied consequences for ignoring them any longer
- He started to make public concerns that he had previously kept private that: 'shareholders will not stand for moderate performance any longer'
- Staff who had experience in more entrepreneurial enterprises were recruited as the business grew
- Those who showed no inclination to operate in the new way were removed
- Financial incentives were introduced in the form of a bonus pool based on 30% of the excess return on capital over the base line of 7%
- He accepted the compromise solution of initiative being in the form of group initiative through the forming of the Profit Committee

There is a postscript to this change that leads us into the final issue. At no stage of the development in the change process – change of identity, increase of profit or use of initiative - were our actors aware that the Bank was being shaped up for sale. There are clearly issues of confidentiality involved in this, yet Stephen, within the first two years, expressed the hope that his senior team would conclude this eventuality themselves and therefore, in the context of such a possibility, recognise the sense of his interventions. Stephen grew increasingly frustrated that his staff would not see the world as he did, even though he was responsible for not letting them see it.

Stephen's comments raise the issue of confidentiality being a valid reason for withholding this information into question: 'whilst I cannot raise the issue if they [his senior staff] concluded this possibility for themselves we could then discuss it.' We do not have the evidence to support the conclusion but we suspect that the reasons for not disclosing the likelihood of shaping the Bank for sale have more to do with the

tight control over information and the internal protocols associated with positional power handed down by the chairman Henry.

Stephen enacted situations that, seen retrospectively, created an opportunity – sale of the Bank on his terms (as successful CEO) – rather than the previously defined threat of sale of the Bank on other peoples terms (failed CEO) an illustration of the point made by Smircich & Stubbard (1985) & Weick (1995), that strategy follows action, it does not precede action.

We believe the level of dialogue in the Bank was close to the point where the subject of sale would be laid open to discussion, at that point a specific series of actions, aimed at refining the processes underway, would be initiated. It remains conjecture whether the process would have been easier, and the problems mitigated, had this been discussed at an earlier stage, if indeed it was even possible to determine at which point threat became opportunity. Stephen, when asked this question, could not provide a specific time frame, referring instead to 'a growing awareness' that the situation had changed.

The Police

A central issue for changing organisations appears to beset the Police; that is a process of learning through experience (seeing is believing). Over the last twenty years a succession of public failures led to public enquiries: Brixton riots, Hillsborough Football Stadium, the Steven Lawrence murder, et al. Clearly individual officers have to fulfil multiple roles that have grown in sophistication, and yet they are expected to deliver a balanced repertoire that is not polarised as service or force, but both. The ease with which the balance can be upset tends to leave them vulnerable to external influences.

We have already heard one of the proponents of zero tolerance, Bratton (in Bowling, 1996) credits much of the success associated with zero tolerance in New York to organisational changes rather than changes in attitude of the Police. This key difference appears to have been overlooked by politicians in the UK. The Police are required to notice political agendas however political agendas that touch deeply held values might also result in unexpected (but not unforeseeable?) consequences.

For many years the Police failed to link performance to cost and did not appear to notice the consequences of ignoring widespread public spending reviews and the effects that this might have for the police organisation. There followed a sequential re-positioning of the Police until they could no longer fail to notice, by which time their options to manoeuvre had been greatly reduced.

Whatever the relative merits might have been to change the Police structure they had no *visible* benefit therefore, they were not believed, they had no knowledge of how, in a reasonable period of time, this change might have worked, without that knowledge they resisted the change.

We suggest that the structure of the Police is as much about its relationship with the public they serve as its internal management style and this has direct consequences for the organisation if it is developed on the basis of only recognising the potential for mistakes after they have occurred.

The structure of the Police was forged in 1829; it was thought to be proven and safe. If there was any thought that the new structure held the possibility for success, then the doubt was sufficient to deter them from taking the risk of trying to make it work. This would not be too surprising in that comment or criticism of the Police – through output (interface with the public) and style (management) had rarely been linked.

These were not regarded as inclusive concepts. Any proposed change to the structure was therefore seen as risk without reward.

Foreign & Commonwealth Office Services

A number of problems run through this analysis: FCOS appeared to process information based on what they knew of previous enactments. This limited their scope for dealing with changes to their environment i.e. Central Government policy and the response by the PUS and his senior staff.

By retaining selection that had always worked FCOS could not see the consequences of their actions (or lack of them) and were unlikely to do so until they saw the result (seeing is believing).

FCO had a history of being a risk adverse organisation, unwilling to make or tolerate mistakes (many had been penalised for making mistakes in their careers), and even though some in FCOS clearly considered doing something different, they were, ultimately, unwilling or unable to enact this selection.

EMI Recorded Music

With such a deep-rooted understanding of the meaning of *copyright* and its importance to the music industry demonstrated by the security surrounding the Beatles tapes, we might have anticipated difficulty in changing the notion of asset value in other areas of the business. Indeed at an individual level, we recounted the difficulty one executive had in recognising the *originalright* value of Beatles original

recording master tapes stored by the thousand in a vault at Abbey Road. It was only when the street value (to collectors of such artefacts), and the devastating publicity that would follow the loss of this product through neglect, was forcefully drawn to his attention that he was able to re-frame an alternative - a value other than *copyright*, until that time the security measures had been designed to prevent access rather than ensure preservation.

At an organisational level EMI appeared able to cope with the 'leap before you look' (Weick, 1995) concept but there were consequences. It was no secret that a section of the music industry expected technology to bring instant playing of music by voice command into every Western home and motorcar in the near (but unspecified) future. At that point, control over the distribution and replication of product would be largely redundant, there would be little value in retaining physical product. The value would be in the *content*; organisations would be able to deliver to their subscribers – *copyright* would still have a substantial roll to play in such a scenario, but, as secondary to the integration of *content* into the delivery mechanism. This was the prevailing theory upon which the board of EMI proposed to bet the company in merging with Warner and being a *content* provider in a previously untested vertical business model.

The deal appeared to have been made on the basis of what was already known (the merits of building a large business) and the potential of what was not known, the vertical business based upon *content* (entertainment and delivery). In terms of confidence in the deal passing anti-trust problems, the attitude was upbeat: -

'...sources at Warner and EMI suggest that they are confident the deal will not fall foul of the anti-trust authorities – we wouldn't be doing this if we didn't think we

could...its not inconceivable that it could be derailed but it's improbable – said a senior source'

(Music Week 29th January 2000)

Eventually the Warner/EMI deal broke down when the companies could not reconcile the concerns of the anti-trust authorities, the approach to whom had been based upon merging two large companies rather than creating a new type of business. Everyone involved had experience of the former; none had experience of the latter. In proposing the merger Warner/EMI had changed – enacted a new environment - but they then approached it based on what they knew of the previous environment and limited their scope for dealing with the attitude of the anti-trust authorities.

'...the proposed mergers are forcing regulators to explore largely untested arguments surrounding anti-trust regulation in the new economy...Brussels and Washington are grappling with the question of how to assess the impact of vertical integration - the combination of content and carriage'

(Financial Times, 7th September 2000).

The organisations concerned here had adopted a process of merger/acquisition that had worked before, it was only as they saw the authorities questioning the merger that the mistake was realised – how to prepare the authorities for the unknown rather than simply justify size.

'...the collision between regulators and dealmakers reveals more than the lack of political finesse in the media and communications industry, the real issues are about regulating for the unknown'.

(Financial Times, ibid)

We have dwelt on problem identification at EMI because it serves as a timely warning to leadership that might otherwise be tempted into the *either* over crediting *or* over discrediting. Over crediting may result in little or no change but over discrediting and ignoring context and environment may have similar consequences, we look at this potential conundrum again at section 9.

Section 8:

Enthinkment/Enactment

'If people want to change their environment, they need to change themselves and their *actions*. ...Problems that never get solved, never get solved because managers keep tinkering with everything but *what they do*'

(Weick, 1979, p. 152, emphasis added).

Thus far we have avoided examining the process element of the outcomes taken by our actors. The selection process shown in the analysis of our case studies suggests, discrediting was rare (EMI being the notable exception) and seldom sustained. Here, however, we want to focus on the element of enactment or what Weick above describes as 'what managers do'. We also wish to take a position on what we believe constitutes enactment.

Smircich & Stubbard come closer to the position we described earlier as *making a meaningful difference*. 'Enactment implies a combination of attention and action on the part of organizational members' (1985, p.726). However even this, for us, needs to be further grounded 'Enactment means thinking and acting. Enactments test one's *physical*, informational, imaginative, and emotional resources' (ibid, p.732). Salancik (1977) separates out cognition from action and suggests where action is public and volitional it may also need to be justified. This, for us, captures the essence of what we take as enactment and links to the comments of Weick above. For us enactment – in the context of adaptive change, is about managers thinking and doing - doing in the physical sense of acting out thinking in a physically testing way or at least a way in which they take responsibility for a public commitment.

Weick (1979) contrasts an enacted environment as being different from a perceived environment and suggests (following Pondy) that, if a perceived environment were the essence of enactment, then the phenomenon would be called *enthinkment*. We recognise that our position strays from Weick (1995) who, in his discussion on enactment, cautions us 'to be careful not to equate action with a simple response to a stimulus' (p.37). He further cites Blumer (1969) 'given lines of communication may be started or stopped, they may be abandoned or postponed, they may be confined to mere planning' (p. 16). So whilst accepting Weick's position on defining enactment, here we are lifting the term in order to examine responses to specific stimulation and classify *enthinkment* as something that does not entail the physical process of doing; differing, in a substantial way, from what went before. For example, using the model we have discussed above; being aware of the issue and discussing necessary actions, but actually changing language without behaviour (e.g. the way staff are managed or communication with external agencies) does not fit our criteria of change in a substantial way and remains *enthinkment*, the essence being that for the purpose of this exercise we are pushing the boundaries of *enthinkment* into what Weick et al describe as enactment.

We come far closer to Weick's (1995) account of 'talking the walk' (p.182-183), here he tells us that 'people make sense of their actions, their walking, their talking'; further he suggests that if people are forced to walk the talk – effectively they are forced to walk words they barely understand, this leads to a reduction of innovation. We use this point later, but we also suggest that the same uncertainty and fear of the unknown leads to a reduction of enactment (as we have defined it) induced by entertaining the *notion* of enactment to the point where lack of familiarity inhibits the walk: we are not sure how to get to the place we think we want to go and the more we talk about it the scarier and further away it seems to get.

Lippman & McCall (1976) suggest that actors can operate 'off-line' and do not need to engage in action in order to evaluate it. Weick's point is that the action defines what *it* is; our research suggests that some of our actors did not find out what *it* was precisely because they did not take action. For Greve & Taylor (2000) 'cognitions do not change spontaneously. They change because of information received through the actions of others and through actions taken by the focal organization' (p.57). This supports Weick in that it is the action that changes thinking, not the thinking that changes action; we extend that concept of thinking until we pick up significant evidence of action, admittedly a very grey area, but one we think appropriate if we are to determine the qualitative difference in adaptive change and the process of change. Brunsson (1985) puts it that 'organizations have two problems: to choose the right thing to do, and to get it done' (p.27). It is the movement towards getting it done that we are interested in noting.

In summary we accept that *sensemaking* often does not result in action (Feldman, 1989), we also accept that in a pure form *enactment* as Weick (1988) informs us is a synthesis, tailored for organisational settings of; self-fulfilling prophecies (Jones, E. 1986, Jones, R. 1977, Snyder, 1984), retrospective sensemaking (Straw, 1980, Weick, 1979), commitment (Salancik, 1977; Straw, 1982) and social information processing (Salancik & Pfeffer, 1978). Nevertheless we are interested in why sensemaking – when there is an expectation of action – results in no *discernable* activity. As a final point we would refer back to Weick & Quinn (1999) and suggest that whether *enactment* is an observable activity rather depends on the lens through which the activity is being viewed; ours is not one that identifies fine grain detail it is one that is able to focus at one and the same time across our canvases. In this way our perspective is taken from the collection rather than the single canvas, we now consider whether the sensemaking processes described earlier resulted in our definition of enactment.

The change from operating as a 'merchant bank' to operating as a 'private bank'

The change from merchant bank to private bank was well known throughout the organisation, symbolically Stephen's joint managing director had left the Bank following the board's and Stephen's plan to convert to private banking. Many of those in the merchant banking function had left the Bank and a re-branding exercise changed all the literature.

Significantly, the output and sourcing of business, therefore the doing of banking also changed; intermediaries (solicitors, accountants, bank members agents and other banks) were cultivated to direct their high net worth clients towards Parvin-May. A trade stand was taken for several years at the Midem music festival in Cannes, southern France in order to attract the attention of the agents of wealthy clients. Staffing levels were built up in the area of investment and senior staff with a portfolio of private clients were induced to work for the Bank. Within three years the Bank thought, looked and acted as though it were a private banking operation. The full enactment process had taken place.

The need to meet specific financial targets by increasing profitability

This change took far more effort to be assimilated into the activity of the Bank. Stephen had recognised the importance of profit as part of the package of transforming the Bank into a private banking enterprise. However, despite pointing out the importance to the Bank and staff (especially senior staff), little changed for the first year and, indeed, as have noted previously, there was a high degree of resistance from staff who valued client relationships over profit. It was only after

several employees, who were unwilling to change their values, were made redundant and pay/bonuses were linked to profit, that a seed change started to take place. Over a period of some three years the emphasis was changed from success equals relationships to success equals profit. The point at which it would be reasonable to suggest this was commonly accepted was when the senior staff saw good levels of profitability and substantial bonuses in their pay packets. Seeing became believing – profit mattered because it made a difference to the Bank, but also because it had a direct impact on the individuals. Enactment here was achieved by a series of actions that reinforced the concept of profit and pointed our actors to further activity they realised was profitable for themselves as well as the Bank.

The requirement for staff to take more personal initiative in the execution of their responsibilities

Stephen had been quite strident in his demands for staff to take personal initiative; in the final analysis he was offered (and accepted) a form of group or committee initiative. The enactment in the way that Stephen saw it – individuals volunteering to initiate and project manage new products or services never got off the ground. At one level we saw Stephen calling for the change but even without the influence of the chairman Henry (which was very strong) Stephen's behaviour was always controlling. Despite, apparently, recognising the need to delegate authority, he would invariably find a reason why this was not possible – chairing committees or channelling communication through himself. Added to this, evidence that Henry would intervene directly and forcefully if he thought a member of staff had made a mistake (including Stephen), the notion of initiative was undermined by symbolism and behaviour that did little to encourage initiative.

The response to the demand for initiative and push/pull effect of punishing individual mistakes created the collective response of initiative through committee – in particular the Profit Committee. Despite our recording of failure to achieve penetration at the level of individual initiative, the result was that more projects were initiated and more profit created, just not in the way that Stephen envisaged.

The coupling of the above into a coherent proposition for sale

The changes above resulted in an organisation that was profitable and attractive to potential purchasers. To listen to the dialogue between Stephen and Henry, *subsequent* to the actions above, it appeared as though sale of the Bank had always been the objective, and the measures above were the result of a skilfully crafted strategy designed to enhance the sale potential of the Bank. Having watched the process first-hand we would comment that the initial actions taken by Stephen had been to save the Bank rather than sell it. However, the collective actions above created the opportunity for sale, not the other way around.

The Police

The attempts to change the orientation of policing from force to service and back to force

This issue highlights a particular difficulty for those who would seek to effect organisational change on a piecemeal basis – that is changing language or structure or behaviour. Whilst we would not suggest that there is any particular order to the process, we do hold that our data supports the proposition that change is only complete once all these components are in place. In the case of the Police we documented a long tortuous process, under pressure from Central Government and

other groups, to change their orientation from an ethos of force to service. Over a period of ten or more years the Police adapted to this requirement whilst further skilling against organised/international crime/terrorism. Always a tenuous and difficult process for the Police, they created symbols of change through the adoption of local consultation bodies, enhanced training and widespread cautioning of minor crime. Whilst this did not sit easily with the rank and file officers, new entrants had been directed towards the importance of co-operative community-based policies and tolerance minority groupings. However, the management behaviour and structure of the Police had not changed and these obstacles ensured that service was an ancillary output of policing not core value behaviour of policing.

In 1992 the Government, for the first time, addressed the issue of structure by reducing the levels of command – had they remained, this would have presented a further opportunity to consolidate the process by the recruitment of new officers, providing a platform to address managerial behaviour, resting, as it was, in the tenets of command and control style enforcement. As we have seen, the structural change was of short duration and symbolically this re-enforced the necessity of a command and control system.

Peters & Waterman (1982), Pascale, et al (1992) caution organisations to heed the cause and effect of organisational change. They contend that organisations do not change by altering structure or values or behaviour or symbols. More that, in altering one aspect of an organisation, the impact elsewhere has to be understood in order to mitigate against the unexpected. The requirement here was for the Police to alter the way in which they undertook their responsibilities, gaining something more than an implied consent, or, as some would contend, a taken-for-granted consent. There was no corresponding requirement for the Police to change their structure or a method of

managing staff – not surprising therefore; the impact was reduced to policing in the margins, enabling the 'real' work to carry forward.

Introduction of value for money policies

Whether by accident or design, it is in the area of fiscal restraint that change has had the greatest impact of those areas we have viewed. As we have indicated, Chief Officers still carry constitutional autonomy for the operational activity of their Police Forces. However the language of budgets, effectiveness and efficiency, first established in policing circles in the early 1980s, has shifted from activity that Chief Officers could avoid by citing 'operational necessity' or notionally satisfy, through creating a paper chase of objective setting.

The introduction of language unsupported by symbolic and behavioural changes had little impact for some fifteen years. Today all police officers, certainly down to the rank of Inspector, have a keen awareness of budgetary responsibility – the enactment may, by some measures, be less than perfect e.g. the Police have struggled to import commercial concepts of *value for money* into a public service by grading the response to certain crimes according to pre-determined protocols, and have taken officers off the streets in order to comply with Home Office statistical returns. Yet the Police are building their knowledge and they are determining a set of agreed meanings on what *value for money* and budgeting means for them – they are doing these things however uncomfortable or less than perfect they may be.

The point in time for this enactment can be identified as originating with the *Sheehy Inquiry* of 1993 and the placement of Chief Officers on 'short-term' contracts of up to ten years. This started to impact in the mid 1990s (it only affected newly promoted officers) when Chief Officers also found themselves subject to yearly performance

reviews by their Police Authorities and these were based partly on Home Office statistical returns that in turn have, increasingly, been judged against delivering *value for money* policies. Despite the strains, and any ideological prejudices that may have confronted this change, Police Forces are enacting their own form of *value for money* policies.

Attempts to change the structure of Police organisations and devolve responsibility

As we have noted before, the move to reduce the number of ranks and its attendant link to management behaviour lasted, in one form or another, less than seven years. The attitude reflected from our case study material was typical of the response gained from officers above the rank of Inspector, i.e. the new structure was unworkable; officers in the surviving ranks found themselves overloaded and these ranks failed to meet the expectations of external agencies.

When we go back to the model, our position is that adaptive change is a process of changes to language and symbols, based upon knowledge. Part of the symbolism is that of behaviour. In the Police the language was compromised by the creation of 'Senior Superintendent' to replace 'Chief Superintendent' and 'assistant Chief Constable D' to replace 'Deputy Chief Constable'. This permitted a symbolic link to remain between the old structure and the new and prevented officers enacting behaviour congruent with increased autonomy and levels of responsibility. Whilst on paper the ranks had disappeared the reality was that they continued under different titles – not only was this first-order change it was transparently first-order change.

The position taken by officers that the new ranks had not worked is, we contend, essentially a correct one. However, not so much because the 'ranks' did not work, more that the behaviours were never established in the revised structure; they never

needed to be, as the process for transferring to the new structure was fatally flawed at the outset, by symbolically maintaining the hierarchical link with the old structure, thus preventing enactment of the new. Now into a new decade Charles Clark the Home Office minister in charge of the Police is talking again of bringing change to the Police:-

'We have deliberately eschewed major structural change on the grounds that people focus their attention on that and not on what can be delivered'

(The Economist February 24th – March 2nd 2001)

Here the Government are taking a deliberate policy decision to try and change the Police through behaviour whilst ignoring the structure. To us this is a failure to recognise the interdependent nature of organisational design and behaviour.

Foreign and Commonwealth Office Services

Enactment of espoused behavioural preferences

In the previous section we suggested that the change required of FCOS had been to enact the thoughts and espoused wishes of the senior management team by undertaking a range of modernising initiatives that, when first declared, were unsupported by the PUS. However by the time we pick up the activity in 1999, they were in tune with the changed agenda, brought about by pressure from Central Government and the consequential change in attitude by the PUS.

All the component parts for undertaking change appeared to be in place. The political agenda had been set long before and, whilst the FCO had been protected from much

of the reform required elsewhere, through publication of the *Modernising Government* White Paper, widespread knowledge of seed change in the attitude of the PUS and the main FCO, it was understood that the desire senior members of the FCOS management team previously expressed for change was now correct and met the needs of the times.

In terms of taking the discussion phase to enactment the process faltered; the business plan committed to the modernising agenda, the training prepared staff for managing in a different way and there was ample evidence that senior staff had the knowledge of similar changes in other Central Government departments, indeed, actually within the FCO itself. Despite the appropriateness of the action, the enactment stage was delayed because of problems identified with the availability of time, money, people, marketing plan and IT support. A full year after publication of the business plan, little of substance had changed, leading to the increasing frustration of the PUS, and the general reduction in credibility of FCOS in the eyes of the main FCO office, as the activity remained at the level of what we have described as *enthinkment*. Having talked previously of the faltering and stumbling steps taken by management of FCOS we might further press the analogy that this description invokes. Perhaps those who are learning to walk (possibly for the first time) need a helping hand until they develop their own confidence. Put in another way it may be necessary to wean people off highly dependent behaviours in a gradual way *letting go* may be seen here as holding on *in order* to enable *letting go*.

EMI

Change of core assets from 'copyright' to 'content'

Much of the data we picked up in our case study of EMI concerned the evolution or process of change initially in format and then the internal discussions about *copyright* – particularly parallel importation of music product. The issue we centred upon was the initiative to accelerate the process of change by creating a ground breaking vertical market through merger with Warner, Time Warner and AOL.

We have acknowledged the view of the music industry that change was inevitable, here was a business prepared to enact that thought process in a dramatic and wholehearted manner. EMI had shifted within two months of the initial AOL/Time Warner agreement – recognised the changes in the industry, changed the concept of assets from '*copyright*' to '*content*' by undertaking to merge its business into a relatively small part of a much larger global entity for which it would be but one of a range of content providers. Here there was no doubt that enactment had taken place in an unequivocal manner.

Summary

In this part of the thesis, we have been trying to establish whether our revised definition of enactment has taken place, given the nature of the processing detailed.

We have seen a wide variation in the fulfilment of the criteria we set for enactment to be established: -

Parvin-May: -

- Successfully enacted the process of change from a merchant bank to private bank – the Bank expanded and increased its client base and service range
- Enacted the move towards increasing profitability
- Failed to enact personal responsibility. Indeed this was resisted and reverted to collective responsibility
- Whilst cited as an adaptive change - preparing the Bank for sale - was an outcome of the collective activity above

Police: -

- Despite pressure for reform, the Police had not enacted the change from an ethos of force to service, so when they were asked to revert 'back' to force the 'change' was more a re-establishing of an existing norm
- Introduction of *value for money* policies was a slow process yet, despite a continued agenda of negotiation within police forces and between forces and the Home Office, this change has been enacted and senior officers are becoming more adept at recognising the costs of the service they provide
- Enactment of a revised Police structure was never established (whilst at one level it appears that the ranks disappeared in reality they were renamed), the consequence, as we have seen, being the reinstatement of the original titles

FCOS: -

- Of all the examples we have seen this one provides clearest example of *enthinkment*, but not the follow through of enactment. The result has been

a confused staff (for whom little of material consequence appears to have altered) and a confused management, apparently caught in the headlights of uncertainty, not knowing how to react next

EMI: -

- Unequivocal enactment of an imaginative conversion from assets based on 'copyright' to assets based on 'content' *although*, ultimately, the merger that would have finalised the transition failed because the EU competition regulators had no experience of such a merger and could not, themselves, adapt their evaluation process to the novelty of the situation

Where next?

The purpose of this thesis thus far has been to examine how organisations cope with adapting to novel situations based upon the sensemaking model. In order to explore this agenda we have taken a basic compare and contrast model to show that novelty was the one common denominator of our case study organisations. We then took Weick's ESR model and extended it by noting changes to language, symbols and knowledge, to distinguish between the emergent nature of data into Weick's sensemaking model, and the acknowledged data in the form of adaptive change feeding into our own model. What might be thought of as the differences between emergent sensemaking (e.g. Battered Child Syndrome) and set piece sensemaking (change initiatives).

We have seen a selection of successful, partly successful and failed initiatives – we have also seen success from unexpected sources. Some changes have been resisted and little, if anything, altered. Some have been resisted but still changed.

Some were enacted, some were ignored and at least one, apparently, supported, yet really did not get beyond, a process we have borrowed from Weick, and for which we changed the definition of and termed *enthinkment*.

The first level of analysis completed in section 6 suggested that our host organisations had one thing in common; the situations faced held a high degree of novelty for those concerned. This led us to an extension of the sensemaking model examined in the previous section. As we noted at the beginning of the analysis on EMI, a pattern, to that point, had emerged of the fixed nature of processing that seemed to operate in the three previous case studies, making them vulnerable to changes in their environment - vulnerable in the sense of seemingly not having the flexibility to meet novel situations with novel solutions. Preferring, instead, to rely upon crediting previous retained ways of responding.

This pattern was disturbed by EMI where novelty was met with enthusiasm – and appeared, even in the macro world of global organisational mergers, to have little disturbance factor for those within the organisation. The world as seen by EMI was moving towards a redefining of the music business into *content* providers, rather than wait for the process of change to bring this about, they met the challenge head on – and attempted to leapfrog, not only the changes in output from *copyright* to *content*, but also the organisational design to go with it.

The organisational style and structure of the organisations has already been commented upon, convention and clear centralised reporting lines tightly bound Parvin-May, the Police and FCOS. On the other hand, EMI was a global company but acted in a de-centralised way where great pains were taken not to interfere with local operations – a tacit acceptance that a multi-national organisation cannot communicate effectively with local environments from a tightly controlled style and

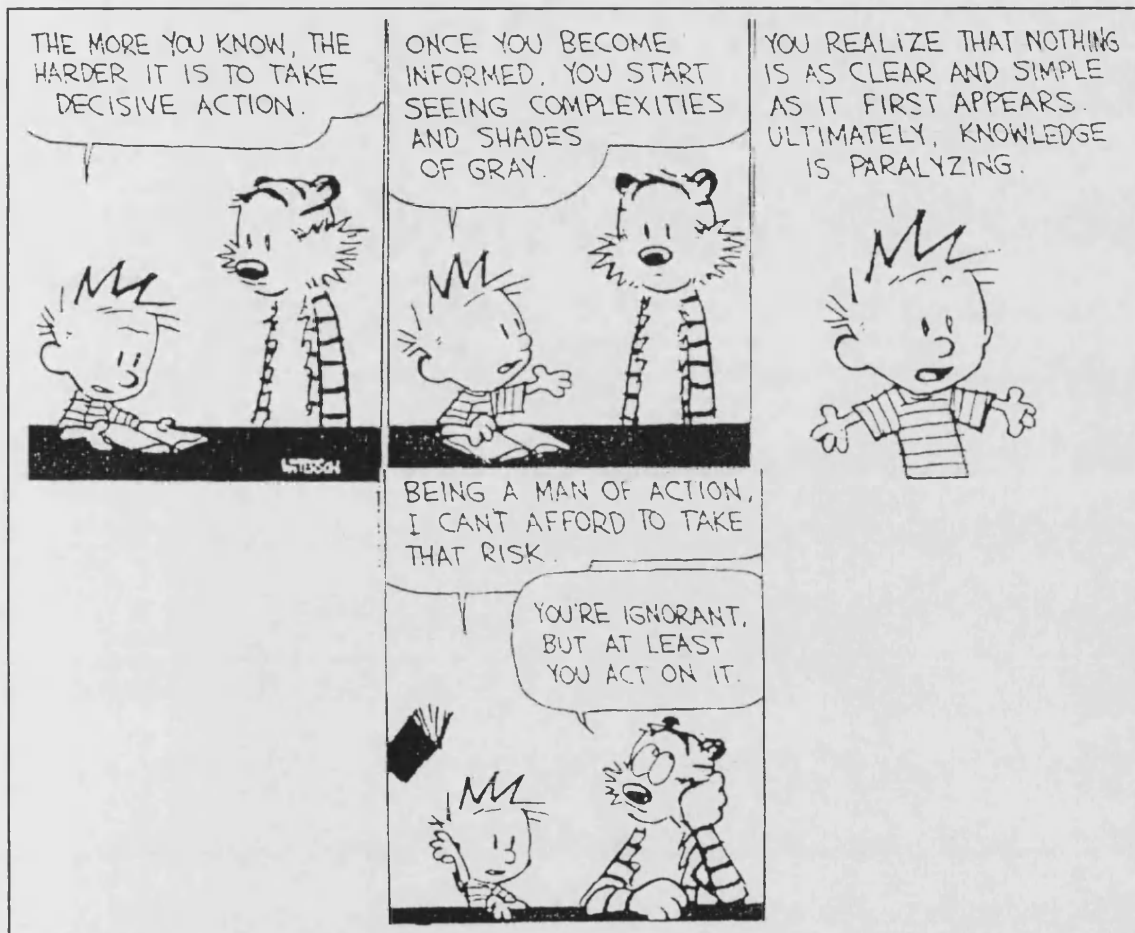
structure. Notwithstanding these comments, as we have seen, none was able to deliver to the agendas they would have wished.

Given that all organisations will, from time to time, embark upon adaptive change, we believe the ground is sufficiently fertile to sow the seed and ask: need the outcomes of adaptive change be as random as the evidence of our case studies and our subsequent analysis appears to indicate?

In each of the scenarios we have described how organisations have initiated change for themselves or another organisation over which they have control or influence. Our next task is to establish whether, given knowledge of the sensemaking model, such organisations could reasonably alter or direct attention towards salient activities that might make the process of change more accessible and predictable.

Section 9:

Requisite Variety & Future Perfect Thinking



Requisite variety

Thus far we have looked back over our collection of canvasses and viewed them from different points on the GAS model clock face by moving our easel to establish different perspectives, we have layered the activity to develop the retrospective nature of the sensemaking model. For the remainder of the thesis we will discuss how these reflections of past activity (as life understood backwards) may assist our

actors to better quality decision-making (as life lived forwards). In this section we take two concepts, *requisite variety* and *future perfect thinking*, we define them as methods for considering future organisational activity and consider how their use might impact on the thinking of leadership planning adaptive change.

Weick (1979) leads the discussion into requisite variety by first establishing that 'during selection, organizational members select those labels, explanations, interpretations, and meanings that allow new enactments to be fitted into old, enacted environments' (p.187).

In this way it is possible to understand that we select enactment based on what has happened in the past – crediting, or we select enactment but assume that what happened in the past may not happen again – discrediting. As individuals and organisations, we are preoccupied with reducing the world to simple regular patterns of predictable outcomes based on what went before. In this way we are in constant danger of being trapped by the notion that seeing is believing.

Selection is based upon prior activity – that is, we make sense after something has happened (attributing labels and meanings), not before it. As we have discussed in the case study of Parvin-May (the strategy of shaping the Bank for merger or sale) the Bank had been prepared for sale by previous activity – operating in a growth market and increasing profitability. The strategy was a label that gave meaning to that prior activity – not as was suggested a cause for that activity.

Weick (1979) contents that, despite our predilection for simple recipes and unequivocal solutions, we live in a world that provides equivocal inputs, and that if we are to make sense of them first we have to register the unequivocal, hence the law of requisite variety which states 'that the variety within a system must be at least as

great as the environmental variety against which it is attempting to regulate itself. Put more succinctly, only variety can regulate variety' (Buckley 1968, p.495 quoted in Weick, 1979). An example of the principle of requisite variety is provided by Weick, who suggests that if a photographer has to photograph 20 subjects at different distances then the camera has to have at least 20 settings – if it has fewer it will lack the requisite variety to register sufficient detail to provide uniform clarity throughout the range of photographs.

Organisations that process equivocal inputs must themselves retain the capacity for equivocality – discredit the past by adopting a view that believing is not necessarily seeing in order to avoid failure through non-adaptation. Weick further contends that 'if people cherish the unequivocal but are unwilling to participate in the equivocal, then their survival becomes more problematic' (ibid). If this sounds simple then we need to heed the truism that simple models often disguise complex actions, Zeleny (1986) gives life to this note of caution when he warns us that requisite variety is much harder to achieve than it looks.

A graphic example of the organisational instinct for conformity and reducing the meaning of inputs to the over crediting of past enactments was seen from the example taken from the American space programme at the start of this work. We used this example to sensitise the reader to the concepts of *sensemaking*, *requisite variety* and *future perfect thinking*. The day-to-day settings and activities of our actors make it more difficult to discern these concepts as an observer, let alone intercede as a principal actor and we do not underestimate the level of sophistication such interventions require.

The law of requisite variety suggests that, if we want to survive in a world replete with equivocality, we have to complicate our thinking and ask '*what if*' questions rather

than '*why* if' questions, the former assumption challenges us to think of possibilities (the unknown - expanding equivocality) whereas the latter assumption challenges us to think of probabilities (the known - reducing equivocality), it is only when we ask *what* is the situation? (the here and now) that we are able to deal with the consequences (Wittgenstein, 1968).

Higgins & Bargh, 1987, Fiske & Taylor, 1991 assist us here. Their position is that, if managers are confident that they have interpreted the input correctly, they are less probing and more likely to be biased towards confirming existing beliefs – success breeds success.

Weick (1979) gives us another option and that is to reduce the variety of the environment – that is to say - very powerful organisations can, to some extent, regulate the input – but as he points out this option is only really available to the very few, and that can bring further problems.

In our case study of the Foreign & Commonwealth Office we provided evidence that despite widespread changes to Central Government departments since the early 1980s, particularly in the area of effectiveness and efficiency, the FCO had been protected by successive Foreign Secretaries as being a 'special case' and therefore, excluded from much of the requirement to change. Within the UK, and given the authority of the Foreign Secretary within the context of the Civil Service, this was indeed a powerful organisation that, with active colluding, could regulate and reduce the variety of input. However as Weick points out 'simplifying an enacted environment may also simplify the enactor, which creates the problem of requisite variety all over again' (p.193).

We suggest that this is just the case with FCOS – for many years, as part of the FCO, they had been protected from substantive change – certainly as far as management behaviours were concerned. Language had been shaped – the names of departments had been altered, but this was a game, actively encouraged by the PUS and condoned by successive Foreign Secretaries, to maintain distance from Central Government policies of reform. Ultimately, of course, the shield of protection was removed with a change of Government, leaving the FCO off the pace, and management at FCOS in the position of 'simplified enactors' apparently unable to enact a new environment – it was a process for which they had been left ill equipped, lacking in the necessary requisite variety to deal with the situation that they found themselves dealing with. 'The potential contradiction between choosing the right thing to do and getting it done can be examined as a problem in requisite variety' (Weick, 2001). To those in FCOS they found themselves in the trade off position of taking what, for them, would have been regarded as dangerous action (that might have led to understanding), and safe inaction which led to confusion (what they chose). Weick (1988) says that 'it is often less true that 'situations' determine appropriate action than that 'preconceptions' determine appropriate action (p.306). It was these 'preconceptions' that they were unable to break away from.

The converse could be said of EMI – here was an organisation that appeared to have embraced the complexity of input (changes to the music industry led by changes in allied technology) and responded to previous events – Internet piracy, problems associated with parallel importation with an equally complex response. Unfortunately this did not work either – but more of this later.

In terms of organisational style and structure FCOS and EMI represent the greatest contrast on our case studies. On the one hand a public body steeped in tradition, hierarchy and rules, and the other, an industry that likes to shun convention and

deliberately reduces the impact of hierarchy and control by separating the creativity associated with the record labels from the bureaucracy of a global company.

Weick (1995) notes that decentralisation is a key method of ensuring a wide variety of inputs (p.56). This is supported by Hubar & Daft (1987) who suggest that complexity can increase perceived uncertainty. Smircich & Stubbard (1985) make a further point that 'the organization of the music industry rests in particular patterns of beliefs, values, and assumptions that support the ongoing creation, distribution, and enjoyment of the various forms of music' (p.727) and that organisation here is about ongoing creation or renewal - it is the output that Smircich & Stubbard appear to suggest that shapes the nature of the organisation. This would follow the decentralised nature of the business that is constantly adapting to and indeed attempting to best guess trends in music taste in diverse geographic locations. As a music business EMI needs to take note of equivocal inputs, therefore it structures to accommodate this requirement; therefore it is more adept, or at least comfortable, with requisite variety.

It might be that one of the underplayed skills of leadership is the requirement to improve the sensory function (Gibson, 1953) by discrediting the 'taken for granted' nature of familiarity and comfort. Easy to suggest, but difficult to achieve, when we search for stability in an unpredictable world - yet the more we question the more we know what there is to question, which is probably why we are reluctant to start.

Unfortunately, we saw little evidence of discrediting or use of requisite variety in our research. Most organisations followed Sull's (1999) line that the more successful they were the slower and more resistant to change they became. With the notable exception of EMI, who did attempt to change despite a long and successful period of growth and profitability.

'If beliefs, values, and exemplars diverge and become more idiosyncratic, there is a greater necessity for detailed planning. But there is also a greater probability that the detailed plans will not be implemented as intended, because they will be interpreted in diverse ways and lead to divergent actions'

(Weick, 1985 p.383)

Weick (1979) suggests that enactment produces outcomes that are then given coherence retrospectively through the use of plausible explanations for how events occurred. He suggests that the telling of history in this way facilitates sensemaking because it is easier to describe histories about past events rather than future events. He confirms this position by describing three experiments about a professor taking a six-week sabbatical, a game of American football and a motor vehicle accident. In each case a group of people were asked to describe the event as though it is going to happen and another group were asked to describe the event as though it had already happened.

In each case the event described as going to happen was fanciful, but not detailed, whereas the event described as though it had already happened was more routine and much richer in detail. In watching a similar set of experiments we observed, additionally, that participants describing major vehicle accidents in the future were more likely to treat the process in a light hearted, even flippant manner whereas those describing the event as though it had already occurred did so with more application to the task, describing being able to 'see' what had occurred. Not only did this result in the detailing of the nature of the 'injuries' they also added the makes, colours and registration numbers of motorcars they owned or knew, thus connecting

reality with an imagined 'reality'. Weick suggests that this method of thinking will be of interest to organisational planners and quotes Schutz: -

'The actor projects his action as if it were already over and done with and lying in the past. It is a full-blown, actualised event, which the actor pictures and assigns to its place in the order of experience given to him at the moment of projection. Strangely enough, therefore, because it is pictured as completed, the planned act bears the temporal character of pastness... The fact that it is thus pictured as if it were simultaneously past and future can be taken care of by saying that it is thought of in the future perfect tense'

(1967, p.61)

The link that Weick (1979 & 1995), Mintzberg (1978) and Boland (1984) make is that reflections of past activity tend to provide consistency of behaviour for future activities. Once again Parvin-May being an example where a combination of enactments produced a situation that made the Bank a saleable entity, these were given a label – a strategy - and the previous actions were cited as being the appropriate things to carry on doing. In this sense it could be said that the process of 'historicizing' (Weick, 1979) provides confidence for action. However the downside of future perfect thinking is that 'the *feeling* of order clarity, and rationality is an important goal of sensemaking, which means that once this feeling is achieved, further retrospective processing stops' (Weick, 1995, p.29). Effectively Weick is suggesting that our inclination to create order narrows our perspective –it can work in the opposite way to requisite variety unless it is used in conjunction with requisite variety.

Future perfect thinking is a method of positioning oneself in the future and pulling the present forward. In so doing the inclination will be to draw the information necessary to provide the richness of detail from the past that is; perceived from known events.

In figure 15 we give a graphical representation of this proposition.

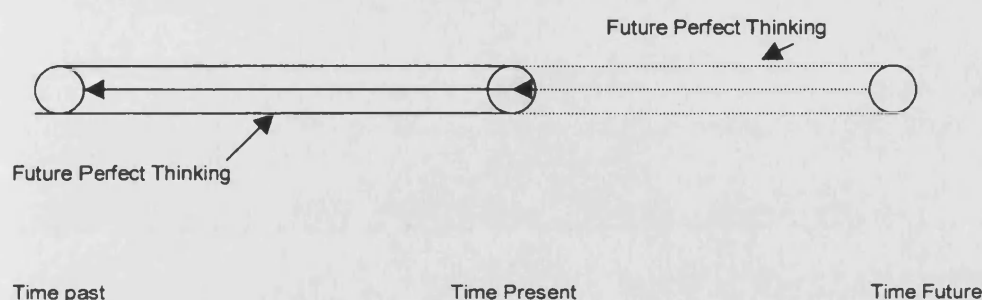


Figure 15.

Here we see a narrow channel drawn speculatively from the future, through the present, into the past, where it can be fed from the narrow channel of what was known, or rather what was thought to be known, about previous events.

The strength of this model is that it provides detail and certainly that may lead to action. The weakness is that, rather than add to the variety suggested by requisite variety, it can reduce it to the *probability* of outcome, rather than the *possibility* of outcome and from this position it could be regarded as a contradiction. Weick, when asked about this point, agreed that the two concepts placed in juxtaposition might represent something of a paradox, by representing mutually exclusive attributes,

despite the fact that both are discussed within the framework of the sensemaking model³.

All the organisations that contributed to this work published business plans that defined where the executive wished the organisation to be positioned in periods of between one and five years in the future. In keeping with most conventional planning processes, the future was viewed from the present with the near future painted in great detail, and the far future with a more generalised statements of intent, common to all was the justification of the future based upon the results of the past.

Again the extremes, within our case studies, are those of FCOS and EMI. The initial draft business plan published by FCOS in 1999 actually detailed past events and barely mentioned the future, literally the future did not feature in the text and, had it been submitted to the PUS in that form, its credibility would have been severely damaged along with that of the authors.

EMI's business plan in 1999, on the other hand, was speculating about 'a future that can only be measured by what we do not know, what will the formats be.... is the Internet a sustainable medium for music product?'

We now suggest that evidence of this nature is representative of the general styles adopted by these and other organisations from our study, and suggest that it is possible – with the avowed benefit of hindsight – that those responsible for the planning of adaptive change, or those charged with leading it, had little understanding of sensemaking from the perspective of future perfect thinking.

Parvin-May

A key change in the required behaviour of the management team was that – as individuals - managers took greater levels of individual responsibility. In order to achieve this Stephen Reading's initial method was to provide subtle cues – to infer success through flair and qualified risk taking. Had he used the future perfect thinking process, and sought to identify the barriers to change, he might have 'discovered' that his language was at variance to that of the chairman Henry Simme. He might also have 'noticed' that decisions in the Bank tended to emanate from the myriad of committees, and not individuals, as these were seen as safe environments. He might also have realised that subtle cues weighed little against the overwhelming history, language and symbolism aimed at restricting initiative.

The Police

'Let me tell you this, there is absolutely no doubt that this [the Police] is an organisation that is based on delivering measured and appropriate force. If ever we lose that ability we also lose credibility in the eyes of the public and the Government. We are not and have never been a service – we deliver a service it is not the same and never can be despite the wishes of some well-meaning politicians – we are a force'

(Sir Kenneth Newman, Former
Commissioner Metropolitan Police)

This comment was made shortly after Newman retired from his post as head of the UK's largest police force in 1988, as a previous Commandant of the Police Staff College and Chief Constable of the Royal Ulster Constabulary, he was the UK's most authoritative police officer in the 1980s. He was politically adept enough to realise

that, post the *Scarman inquiry* into inner city riots in the early 1980s, the Metropolitan Police had to respond to Government and public concerns and this led him to authorise the '*Plus Programme*' – a series of guidelines for police officers in London aimed at creating a closer harmony with the public and interest groups. However, he never lost sight of the need to maintain, and indeed resist, the change of orientation of force to service or otherwise, as he saw it, risk the essential capability of the Police to maintain order.

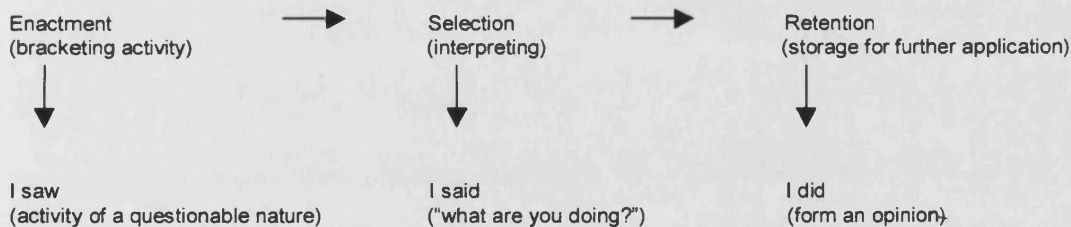
'I emphasise *measured* force and this comes down to good management able to rationalise the complexities of policing by consent. It is a command and control system but in my view this is necessary'

The force or service debate continued throughout the 1980s into the 1990s with most authors commenting upon the attempts to change the orientation – not questioning that it existed, (Reiner, 1983, Fielding, 1991, Bennett, 1994).

Zero tolerance was, as we have seen, a concept applauded by the Prime Minister despite concerns raised in the press. Given the context of the Police recounted above, we have to ask whether such clear endorsement would have been forthcoming had the concept of future perfect thinking been applied, asking the question: 'what happens when a highly symbolic and evocative policy such as *zero tolerance* is encouraged in an organisation that has always struggled to restrain the excesses of force?' It is tempting to suggest that this was a predictable outcome, however we also have to acknowledge that it may not have been a *believable* outcome. Not believable, and this really is the 'catch 22' effect, because as we have demonstrated the organisation practices *seeing is believing*.

Police officers, as we have seen, operate within the bounds of a disciplined service and tight definitions of conduct to counterbalance actions taken with wide discretionary powers. This discretion operates one way that is to say officers (in theory at least) can determine whether or not to act to support the law (arrest/report/warn/ignore) however they do not have discretion to break/bend/invent the law. The mantra of police officers taught to all recruits: 'at time/date/placeI saw....., I said....., I did.....' is a method of *enforced* sensemaking it seeks to ensure that important actions that may impinge upon the rights of individuals are only taken under circumstances that conform to acceptable and established meanings. However, we would also suggest that processing of the model below also serves to enforce a wider application of the *seeing is believing* principle:-

Stage one



Stage two

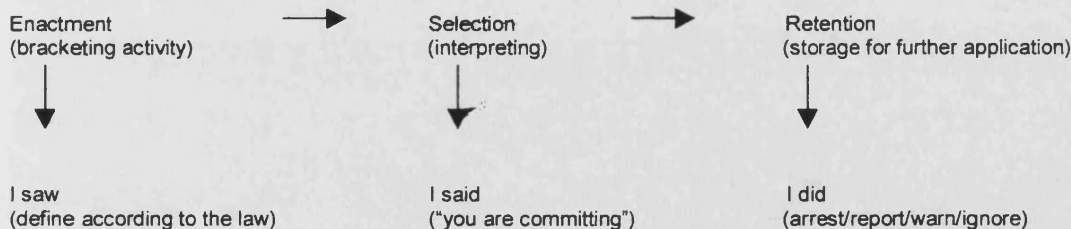


Figure 16.

The selection activity is based upon preset definitions of the law (stage one) that informs options for action (stage two), in this way discretion is defined and actions regulated. In a court of law evidence is presented as a stage managed presentation and under the circumstances above sensemaking and decision-making would be merged into one activity. Separated out it becomes an exemplar of the distinction between the two, firstly we make sense of what we see then we take the decision of what to do. The Police, at this level of activity, are taught *seeing is believing* and we suggest this process spills over into other areas such as organising and may account for the reason why – as a generalisation police officers are often regarded as having a cynical outlook. They are taught to be sceptical of anything that cannot be proved to be *fact*.

By the same token, it is possible to overlay the failure of the change to the Police structure, as the reason why the policy of *zero tolerance* was not even more damaging. If Newman was correct and the Police require a command and control style of organisation to restrain the excesses of force, what might have occurred had *zero tolerance* been applied at a time when the formal structure of command and control was under de-construction?

The changes to the Police structure, as a stand-alone initiative, did not endure, future perfect thinking might have concluded this a natural outcome of changing the language (titles) but not the symbolism (allowing the titles to be substituted and the hierarchical authority based behaviours to endure). Given the debate above, this 'failure' might be one for which the public and Government should be grateful.

FCOS

The senior team at FCOS were, essentially, required to catch up with changes that had taken place within other Central Government departments. From the privileged position of observers, it would appear that this left them in a state of confusion and inertia from which they found difficulty in moving. To some extent, FCOS had always been an adjunct to what was seen in the main FCO as – ‘the oily rag brigade’, as one senior diplomat had described the department. From this had developed an arms length relationship that removed FCOS from the inner circle of policy making. Not only were FCOS, as part of the FCO, at the end of the Civil Service change cycle, our data would suggest that they were also at the end of the FCO communication line. In this way they had missed some of the subtleties more apparent closer to the centre, i.e. knowledge of conversations between the Foreign Secretary and the PUS, conversations between the Cabinet Secretary and the PUS, together with realignment of the PUS behind the *Foresight Report*. In this way FCOS had not noticed the symbolic effect these actions had started to have in changing the context of the main office. Once the requirement for change became a demand for change, the very person perceived as the obstacle for change, the PUS, was the person calling for it. Somehow this had, apparently, missed the FCOS management team, or at least Ray, the CEO, who found himself on the end of personal criticism from the PUS. Given the model we proposed, and in order to consider adaptive change from a sensemaking perspective, it would seem reasonable to suggest inadequate knowledge of the symbolic changes had already started to take effect (as well as a lack of requisite variety to enact the information to hand).

It is a matter of extreme conjecture to speculate whether or not future perfect thinking would have led to the changes, referred to as *modernising*, being addressed in any different manner. It is safer to suggest that, had the PUS and his officials realised

that FCOS was so far adrift from the current thinking and political agenda, the future perfect thinking model might have provided a framework for establishing the support necessary to implement the changes required.

EMI

In the previous section above we noted that of our case studies EMI were unique in embracing actions, defined in this work as requisite variety. We also noted that despite this, they still failed to achieve the change required, namely the successful merger with Warner.

Here we suggest that, despite use of requisite variety to identify and initiate the planned change, it actually fell down because they did not use future perfect thinking. Use of this framework for planning would have thrown up some very pointed questions, the most importantly being: 'what were the obstacles that we faced and how did we overcome them in order to satisfy the EC regulatory authorities?' Concentration on this issue would, first of all, have highlighted the EC regulators as a conservative body that had never, previously, been required to consider a proposal of this type. Given this information, how could the merger have been structured in order to address these concerns? In the event, the obstacle of size, rather than uniqueness, was focussed upon. Once the concerns of the EC regulators became obvious, more and more concessions were offered to pacify what was recognised, too late, as a risk adverse organisation. The merger was finally abandoned when EMI and Warner realised that the concessions effectively dismantled the vertical market that had been the appeal of the proposition in the first place.

Where does all this lead?

Both future perfect thinking and requisite variety are retrospective activities, that is, they are potential inputs to a present state from which we try and create more meaningful decisions.

The apparent dilemma or contradiction we are now faced with is that attending to future perfect thinking tends to narrow the channel of input, whilst attending to requisite variety widens the channel of input – suggesting an either/or model. Adaptive change creates an opportunity to accentuate prior enactment and draw attention to the physical world (this is the knowledge/language/symbols model we put in front of Weick's ESR model). As adaptive change is a selected activity, it holds the potential for interventionist sensemaking through the processes of future perfect thinking or requisite variety when applied to the knowledge/language/symbols model. We now discuss how these concepts might be applied as part of the same process.

Sense dropping

We use the term 'sense dropping' as a play on the phrase the 'penny dropping'. Certainly in the use of the English idiom, this phrase is simple and unambiguous. It also provides a useful interpretation of sensemaking.

Weick (2001) holds that requisite variety is an individual act but that non-homogenous groups within organisations can increase the level of variety to which organisations can be sensitive. This is fine but, if organisations recognise the need – under whatever name - for requisite variety, they also need to create situations where the 'penny drops' or, as we have said, 'sense drops' in order that such information can be used to redirect organisational activity. And, if the activity is to be noticed, the

translation needs to be compelling. In the lead up to the Challenger disaster rocket manufacturers Morton Thiokol were unable to persuade NASA of the danger of flights at low temperatures yet, at the public inquiry when Richard Feynman dipped O-rings from the Challenger shuttle booster into liquid nitrogen, they shattered, leaving everyone in no doubt as to the effect of cold on the O-rings. In our variation on Weick's ESR model we suggest that adaptive change does not move through to enactment unless the sensemaking cycle is supported by the appropriate combination of language, symbols and knowledge (a compelling translation).

Daft & Wiginton (1979) argue that language; metaphors and patterns that connect are powerful conductors of requisite variety. This is the reason why we inserted language, symbols and knowledge into the percussive stage of our link to Weick's ESR model. This is where we see 'sense dropping' and where organisations can process equivocal inputs by producing meanings that make sense to those who are required to enact them. Watzlawick et al (1974) describes this as 'the gentle art of reframing' meaning: -

' ...to change the conceptual and/or emotional setting or viewpoint in relation to which a situation is experienced and to place it in another frame which fits the "facts" of the same concrete situation equally well or even better.'

(p.95)

Denison et al (1995) suggest that the test of a first-rate leader is, the ability to exhibit contradictory or opposing behaviours while maintaining integrity, credibility and direction.

Sale (1980), Fox-Wolfgram et al (1998) take this notion further and suggest that it is not only individual leaders that may use such complexity; 'organizations with high

degrees of plasticity may be better able to do this and thus satisfy the multiple competing demands of their stakeholders' (p.122).

Sensemaking is a micro-social activity; complex thinking is an individual activity, yet both hold the possibility for organisational behaviour. Adaptive change is an opportunity for organisations to intervene in the individual sensemaking process - to prepare the way for individual meaning and enactment. Future perfect thinking and requisite variety are both models that organisations can use to complement their planning processes. Better still, organisations can choose to have different people engaged in different activities that follow separate thinking principles and combine the two streams of information. This pattern is followed by a number of organisations such as HP, IBM and Microsoft, who separate out their R&D departments in order that they use requisite variety and are unfettered by the past. Here we suggest that the output of organisational planning can be informed in much the same way.

Furthermore, we also suggest that in order to avoid the entrapment of either/or thinking, organisations and leaders can recognise the 'relatively short time spans between act and reflection' (Weick, 1995, p.29) to apply the concepts of future perfect thinking and requisite variety. This might go some way to addressing the apparent tightness of behaviour that appears somehow bound into operating in an either/or manner. EMI used requisite variety to break the mould – future perfect thinking might have tailored the way this was presented to their stakeholders.

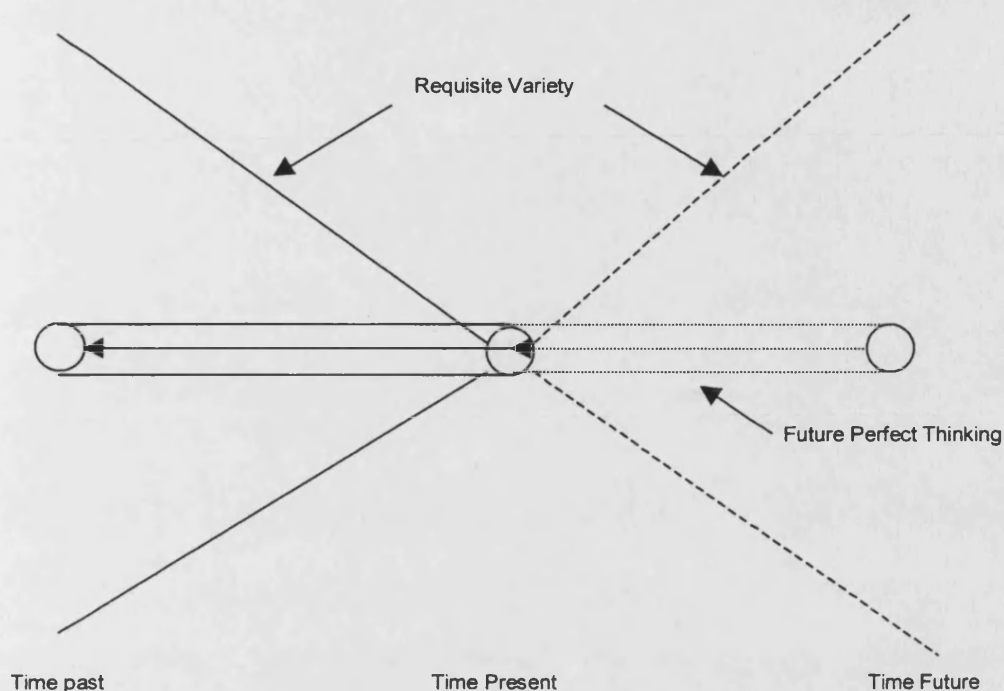


Figure 17.

At figure 17 we combine the concepts of future perfect thinking and requisite variety. Weick (1979, p. 42) cites Vickers (1967) in setting up the metaphoric conjunction of streams and organisational processes to suggest that they are both the result of converging, diverse flows moving at variable rates. The stream metaphor only serves us so far in that whilst, Vickers suggests we cannot step into the same river twice, the sensemaking model suggests that we do step into streams of activity twice; we step in to bracket activity, step out in order to reflect and consider and then step back in to re-apply. If we try and sustain the idea of fast streams of activity we conclude that there are relatively short time frames between activity and opportunity for reflection before we are into the next activity. The learning from this is that organisations do not need to wait until the organisational processes have run their course in order to reflect and re-apply the processes of future perfect thinking and requisite variety to the ongoing stream of activity, in the same way that responsible

leaders may chose to complicate their own thinking and reflection by dipping their toes in rather more often than they may think necessary.

Sensegiving

Whetten, (1984) uses the phrase *sensegiving* illustrated in the process described by Gioia & Chittipeddi (1991) whereby leaders can assist the sensemaking process for organisations.

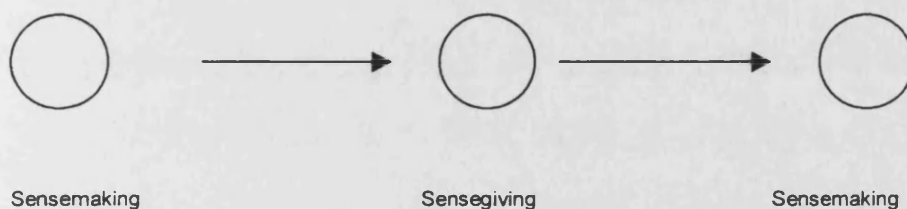


Figure 18.

They take a view similar to ours that in times of organisational change, leaders have the opportunity to follow their own sensemaking by shaping the change input (sensegiving) for their organisation, that then undergoes its own sensemaking process (Figure 18, above). The notion of *sensegiving* is attractive to us as a summary of potential leadership intervention even though it may be considered part of the wider sensemaking process (so we are back to where we position the easel), however, we differ in a number of areas.

For Gioia & Chittipeddi the focus is upon strategic change, whilst we do not exclude strategic change from our own model, neither do we consider it appropriate to limit it

to strategic change. Much of what we have seen of sensemaking and opportunity for leadership intervention has been at the more mundane level of organising and to exclude this activity would infer that such interventions only impacted through large-scale change initiatives. Quite often, as we saw with Parvin-May, the initiatives themselves can be the output of prior activity – for us the earlier in the process that organisations can identify the opportunity for intervention the more chance they have of influencing the outcomes.

We spent some time breaking down the process following leadership sensemaking, and suggested the nature of meaning delivered to an organisation has to do with the process of noticing language/symbols/knowledge, aspects of which would need to be accentuated in order to influence the noticing process for the rest of the organisation. Gioia & Chittipeddi limit this activity to fitting the intended change into 'some revised interpretive scheme or system of meaning' following which it is disseminated to other stakeholders, typically through 'symbols and symbolic action' (p.434). How, or what these might be, or where they might be buried in the history of the organisation, are not explored. Furthermore, heavy emphasis is given to the role of the *leader* rather than what we prefer and suggest being the role of *leadership*, where ongoing negotiation of meaning fits more comfortably as a social activity. Support for this view is to be found with Weick (1993):-

'any attempt to pinpoint *the* leader or to explain survival by looking at a single set of actions is doomed to failure because it does not reflect how needs change as a crisis unfolds, nor does it reflect how different coherent groupings form to meet the new needs.'

(p.119)

More importantly, the extent to which the *sensegiving* process may be modified is limited to the negotiations that take place between the leader and stakeholders after the proposed vision has been delivered to them.

'The original abstract vision is likely to become more well defined and undergo some modification (at least concerning espoused manifestations of the vision or processes used to achieve it). After that, the CEO and the top management team can make some adjustments and then push for a concerted effort towards a realization of the vision by the organization's stakeholders'

(p.434)

The model is limited to providing a generalised account of the intervention process available to leaders involved in strategic change. It does not attempt to explain how the *sensegiving* process in itself may limit the sensemaking process. 'It is during the bursts of change that executives most need to act creatively rather than on the basis of experience and that perceptual errors may cause the greatest damage' (Starbuck & Milliken, 1988, a, p42.) The model described relies upon subsequent negotiation with stakeholders to refine the organisation's vision (change). Our view would be that by this stage leadership has already made its point and the response is likely to be as much about defining the leadership process (selection as it relates to previous leadership interventions), as about taking meaning from the content, let alone the extent to which negotiation will take place which will have a lot to do with context and style of the organisation. 'In making sense, or attributing meaning to surprise, individuals rely on a number of inputs. Their past experiences with similar situations and surprises help them in coping with current situations' (Louis, 1980, p. 247).

Gioia & Chittipeddi contribute to the possibility that *sensegiving* may be a plausible extension to the sensemaking process at times of adaptive change. We may differ in the application of such a concept but it assists us to reconcile an active interventionist process. Sense dropping implies a passive activity grounded in the response to phenomena, *sensegiving* implies an active role [for leadership] but for us it is also a complex role, possibly too complex for the individual – leader or otherwise. We are inclined towards thinking of organisational form that is able to sift through complex inputs – by sharing out responsibility – and produce manageable outputs that acknowledge the variable nature of continuity (future perfect thinking) and change (requisite variety). We leave Weick to summarise for us: -

'The importance of complication is difficult to overemphasizeIn the real world signs on relationships can change, the swiftness with which an effect follows activation of a cause is variable.....whatever additional ways we can find to complicate observers should also be adopted'

(Weick, 1979, p.261)

As we conclude this work, we start to envisage how and where such thoughts and conversations may lead us next.

Section 10:

Wiping down the easel: taking stock

'Would you tell me, please, which way I ought to go from here?' asked Alice. 'That depends a good deal on where you want to get to.'

(Lewis Carroll, *Alice's Adventures in Wonderland*)

Actors in organisations who seek to bring order and predictability to activity, face the ambiguity of Alice's situation. If they are skilled and sufficiently attuned to the environment they helped create, some will realise where they have been, but few will know where they are going. Weick (1979) suggests that organisations cannot rely upon history and adapting to environments being handed down from generation to generation in order to know where they are going; the world is much too complex for that.

We are left to conclude the virtue [for the purposes of creative sensemaking] of organisations capable of complex, diverse thinking, with an ability to apply internal coherence through the application of simple but meaningful common values and beliefs. What Peters and Waterman (1982) describe as tight coupling on a handful of core values and loose coupling on everything else. As we wipe down our easel, clean up some of the paint and think of fresh canvases we think of new organisational settings that might further extend our thinking.

Weick & Westley (2001) suggest that: -

'...under-specification of structure encourages both heightened sensitivity to local conditions and continuous mutual adjustment as local learnings keep changing among interdependent individuals....and by flattening hierarchies to put more people closer to the action'

(p.443)

Further they state

'...learning appears to be about repunctuating the continuous experience of the organization. To make this repunctuation even a possibility, organization must be reduced and doubt and curiosity must be cultivated'

(p.444).

'Centralization, tight coupling and prescribed steps prevent decentralized action' (Perrow,1984, p.10). This is not to impugn any particular style of organisation – far from it we share Weick & Quinn's (1999) view that this is secondary to the way people organise their activity:

'Successful firms did not rely upon either a purely mechanistic or purely organic process and structure. Instead, successful firms had well-defined managerial responsibilities and clear project priorities while also allowing the design processes to be highly flexible, improvisational, and continuously changing'

(p.371)

It is intended that the next stop on our journey will be to identify organisations able to balance tight and loose coupling in appropriate measure and examine how they respond to adaptive change. One that holds such possibilities has already taken our interest. AES, the American power generator mentioned earlier in this work. We have already outlined a highly successful business that operates on four explicit values: fairness, social responsibility, integrity and fun.

We have noted that the organisation avoids, wherever possible, the vestiges of hierarchy and focuses instead upon what we suggest might be viewed as a grown up or interdependent style of organisation, substituting responsibility for structure and driving down decision-making to local levels. It operates a business model best described as 'informed opportunism' (Waterman, 1987), the acquiring of as much information as possible, which helps organisational members to recognise opportunities as they come along through local networking, then using the experience of managers spread throughout the world to secure them. Those at AES do not always appear to have *know-how*, but they set about finding out, and this applies as much to new engineers, raising capital funding of £10 million for a new gas turbine, as it does to taking over an existing power plant in Brazil. 'An adequate solution will only be found through the active and open experimentation of the participants themselves' (Boland, 1984).

Having gained business by opening up the organisation to recognise and take advantage of opportunities, it then applies a high degree of planning to deliver the complexity associated with the design and commissioning of a new power station.

Even more intriguing is the knowledge that AES does not always start with a 'green field' site; it will often take over an existing operation and then apply its own business principles. Initiating a modern power station with a new, highly skilled and carefully selected staff at Medway in Kent is one thing, taking over a power station in Northern

Ireland or a coal mine in Kazakhstan with well established work forces is quite another. How AES delivers adaptive change to these environments and whether they walk their talk is a study for another day.

As we wipe away splashed paint we reflect upon indelible trace impressions left, not on the canvases, but on our easel, around the canvases. Our journey started with a focus on a specific phenomenon – the outsourcing and de-layering of staff from organisations, and the reactions of those left behind. This focus shifted to the response to adaptive change in novel situations and the way in which the people interpreted such changes, leading us to the work of Karl Weick and the sensemaking model. Had we known how long and difficult the journey would be we may never have started, but we did, moving through the input of adaptive change, interpretation through the sensemaking model and finally to the suggestion of selective intervention by leadership.

Child (1997), in his discussions on strategic choice, suggests that today it is more appropriate for theorising to engage with those who would 'deconstruct organizational life down to the untrammelled actions of sense-making individuals' (p.72), however, as our work has established organisational change also requires us to understand the social nature of sensemaking especially if we are to apply the concepts of requisite variety and future perfect thinking that must be viewed as *collective* accomplishments (Orton, 1988).

We take three clues from this; firstly, that organisational change is about the interactions of people – structures being a social construction of people. Secondly, in order to understand the processes of adaptive change, we need to understand how people make sense of such change and, thirdly, in order to do so we need to take heed of those who unpick how people in organisations create shared meaning and

write in the arena of sensemaking. Cummings (1996) suggests that Weick, Frost, March, et al, are still categorised as operating in the margins rather than the mainstream of organisational research (p.262). If the mainstream is where the action is (in terms of wide appreciation) then this seems a shame (and a loss) because 'a lot of the most interesting things in life seem to lie on the boundaries' (Colville, 1994, p.218). If it is possible to learn from the processing of the sensemaking model and apply this to organisations undergoing adaptive change, we need consider how this might be brought about or rather *who* might bring this about.

Heifetz & Laurie (1997) see the role of mobilising people for adaptive change as the responsibility of leadership that needs to steer their people and themselves through the process of breaking long standing patterns of behaviour, often rooted in deeply held values and beliefs. However, they go further and suggest that this is best achieved through the collective sensemaking of their people. In essence leadership sets the pattern that we might describe as the clarification process of knowledge/language/symbols and then the collective sensemaking must take its course. Accentuating the point that the best sensemaking frameworks are those that recognise the inevitability of distortions and the most beneficial errors are often the most surprising ones.

Weick (2001) makes the point that the role of *sensemakers* is to convert experience into an intelligible world. Not to look for the one true picture that corresponds to a pre-existing, preformed reality (p.9).

'To make sense of complex change people need to intervene and enact in the interest of simplification: they need to tell stories, value imagination, and use rich communication media in the interest of complication: and they need to encourage collective mindfulness through

teams and networks in the interest of both simplification and complication.'

(2001, p.306)

The task of leadership to bring about adaptive change in the contexts we have painted, is difficult; bringing about adaptive change – as planned - is doubly difficult, especially when the assumption cannot be made that individuals will, necessarily, see or share the benefits of such a process.

Art: a final impression of leadership

Harper (1987) brings us back to our root metaphor of art by describing sensemaking 'as sculpting done by a clever bricoleur' (p.13). For bricoleur we think of the artist (or artisan) who improvises, using whatever materials come to hand (Levi-Strauss, 1966). We have set up our easel and painted scenes from new empirical settings from different perspectives, as we have layered detail we have emphasised different aspects of organising, moving between foregrounds and backgrounds, taking the school of sensemaking across and onto different canvases. In the abstract, at least, we have had to re-position our easel, as ontological oscillation, to consider different interpretations of the same activity.

Our conclusion has been that there is no one *simple* perspective capable of capturing the intensity of the activity we witnessed. In the practical world it may not be possible to merge perspectives but in the theoretical world it can. However, as the abstract of changing position of our easel has forced us to evolve the common-sense observations of day to day life through the levels of common-sense of a high order now we must return to the common-sense messages this work has for leadership.

The learning we take has as much to do with our methodology as it does the substance of this thesis, put another way the walk was as important as where we were going. If we had to move our easel from one location to another in order to take different impressions of the same activity, gain understanding from the gaps between the canvases (characterised by surprise, shock, puzzlement and anger), then our message for leaders is that they too must find ways of seeing between the gaps, working in the abstract, asking '*what* is happening here?' and reach their own conclusions.

Adaptive change entails leadership engaging *requisite variety* and *future perfect thinking* as different perspectives within the same process of abstraction, to lift their own easel, reposition and consider alternative views, then and only then should they return to the grounded nature of *common-sense-giving* by selecting and displaying a canvas (from the collection they have created) that creates a compelling, clear, and so far as is possible, unfettered meaning for their people. Where rapid transformation is required this may entail a complex synthesis of different images, where incremental change is required simple images may be displayed and allowed to build sequentially. Thereafter they, like us, must rely upon the sensemaking processes of their audience to take effect.

One of the purposes of this thesis has been to answer issues raised about the empirical settings chosen by Weick as exemplars of the sensemaking process (see Kilduff, 1996, section 2). Van Maanen took this point a stage further by suggesting, in conversation to Weick, that he was a 'virtual ethnographer', (using third-party views to paint his scenes). We have a different interpretation with which to close our account.

Since 1969, Weick has taken his own easel and located it in different empirical settings, as with any great artist he has developed a style for which he is best known – the school of sensemaking. He has grown familiar with the range of colours and the type of strokes best suited to his style, his brushes and easel provide familiar comfort – they are the tools of his trade, but we suggest they are more than this. As Weick completes one canvas and prepares the next – he too is left with indelible layers where, over the years, unused words and ideas have gathered between the canvasses. Paint splashed on his easel in the abstract of emerging conceptual frameworks from which he differentiates and links the physical world of the past (as canvases) with metaphysical future orientated knowledge development (as theories) that *move* us sufficiently that we might, occasionally, leap before we look and fix things *before* they break.

'The compact causal structures that epitomize our theories are artefacts of retrospect rather than narratives of prospect. And that is part of the reason those theories fail to move us. Theorists who are able to narrow the *gap* between the present-to-hand stance of the spectator and the ready-to-hand stance of the agent, are more likely to generate work that is judged to be moving'

(Weick, p. 135, 1999, emphasis added)

Weick holds our attention by displaying compelling images painted on large canvasses, once he has our attention he conducts a retrospect of life understood backwards using his interpretation of the gaps *in order* to return us to the mundane nature of a world lived forward. Weick, like us, may realise in the common-sense of the physical world it is *literally* impossible to be in two (or three) places at the same time, however, living forward is about connecting with the *plausibility* of action. For Weick this entails people looking between the gaps and using abstract reasoning;

simultaneously general, simple *and* accurate (ibid, p.136), for us it entails leadership merging requisite variety *and* future perfect thinking; tools of the process that is *sensemaking*.

Notes

1: the term 'private banking' refers to the client base of a bank or department within a bank; it does not refer to whether the status of the company is as a private limited company or public limited company.

2: question put to Weick in doctoral seminar at Academy of Management Annual Meeting, Boston 1997

3: now that our journey has ended we suggest that Weick, given the environment in which the question was put, could hardly have responded differently – especially if the reply might otherwise have been as complex as we have proposed in section 10.

4: personal communication between Weick and Van Maanen

Appendices

Appendix

- A Results of discussions from Parvin-May Strategy Weekend 1997
- B Minutes of Parvin-May Strategy Weekend 1998
- C Presentation at the above by Stephen Reading
- D Parvin-May Press Release
- E Summary of Comments from MITCE Programme
- F Foresight Report : Key Findings
- G Extract from Sir Richard Wilson's Report to the Prime Minister

**Results of Discussions from
Parvin-May Strategy Weekend 1997**

SESSION 1

Identify and present to the main group the specific issues which you wish to address and find solutions to during this weekend.

GROUPS - constitution of the working groups for each session - see Appendix 1

Group A

Presenter:

Identified three areas of concern which require improvement:

Growth

Bank is growing and needs to continue to grow. Need to co-ordinate marketing strategy, maybe identify marketing team, develop relationship with outside sources. New ideas can be put directly to the team.

Cross selling of products has improved, but should continue.

Important to identify who are customers are, ensure existing clients who under served receive a better service.

One of the best areas for new ideas is to steal them from other organisations. Should keep an eye on other banks and institutions to see what they are doing.

Profitability

Profit motive is very important. Should not go unnoticed that our main motive is to make money.

Return on capital is fairly poor, should be improved.

Pricing - profitability is not essential from day 1 but products have to generate profit as they develop.

Very competitive market - how do we continue to generate more business and get the best margins we can?

IT - one area for improving profitability would be greater standardisation within Investment and Trust departments - improved systems, better quality, generate more profits.

Stability

Staffing is fine in front offices, but in back office operations it has improved but we still have a considerable turnover.

Do not underestimate the importance of back office. Need to motivate them more - training, job rotation.

Emphasise communication between departments.

Group D

Presenter:

Marketing and PR

Not much at the moment. Believe it is important - name awareness has improved. but need that function to be more focused.

Database will be important for marketing and PR

Product development

How can we free up the time of key people to devote more time to marketing and PR.

Consider central marketing and PR budget - not decided by individual departments.

Remuneration within the bank

How improved profitability is shared around.

Difficulty of holding onto good back office staff

Consider other organisations of similar size, see what they do there.

Group B

Presenter:

Corporate culture

How do we develop it

What sort of culture do we want to see - flexibility, fast responses, rigorous professionalism, customer service, internal co-operation, preserve lack of political infighting.

How do we grow the business

Focus on size and shape of the balance sheet for the future, how do we want that to develop

Ivilyn in the group - discussed different type of client Bahamian trust operation can attract.

How that can be accommodated within an organisation not used to seeing customers of that type

Need to improve communication within the Group

On going problem.

Group C
Presenter:

Strategic points

Although mission statement presented today is quite useful, it would be more helpful to come out with a **limited number of very specific objectives** - a defined focus on where the group is going

Look again at **product range** - what are we trying to provide our target market with.

Organisational structure

Management structure - only a limited number of people here can have a strategic input into where the business is going. Difficult last year for people to have much impact because they were concentrating on their jobs.

We want to improve things, but need a system to ensure we can push the business forward, involving everyone in the management of the business.

Interdepartmental and inter-office co-operation - has been improved, long way to go. e.g. lots of London staff who have never been to Guernsey.

Dealing with customers

How do we get new customers. Who are they, what should we be doing to get them.

Cross selling - interdepartmental and inter-office relationships, Find if you know what people are doing, but we need a structure for selling services to other customers of the group.

No marketing strategy - marketing has been ad hoc, needs to have a defined structure.

Concentrating on key customers - 80/20 principle. We should be discussing ways of focusing on customers who are important in terms of income generation.

Space requirement for the group

London lease expires in two years.

Where will we go

How many staff will we have

BY DISCUSSION AND AGREEMENT, THE GROUP IDENTIFIED 10 MAJOR ISSUES FOR FURTHER CONSIDERATION.

SESSION 2

PRIORITISE THESE 10 ISSUES

Final priority		Groups				Totals
		1	2	3	4	
1	MARKETING/SALES	1	3	1	1	6
5	CLIENT CARE	2	4	3	5	14
2	PRODUCT DEVELOPMENT	1	8	1	2	12
3	STRATEGY	5	1	2	5	13
6	STABILITY/STAFF ISSUES/MGMT STRUCTURE	3	4	3	4	14
7	I.T.	2	5	3	5	15
8	COMMUNICATION	3	6	4	3	16
9	CORPORATE CULTURE	4	9	2	5	20
10	PROFITABILITY	4	10	2	5	32
4	ADMINISTRATION	2	4	3	4	13

SESSION 3

DISCUSS PRIORITY 1 - MARKETING/SALES

Group A

Presenter:

Definition of marketing

The way the company puts its face to the world - that comes back to strategy

Advertising

PR

Product development

Development of literature

Sales

Procurement of new clients

Increasing share of the wallet by cross selling, up selling

Increased responsibility for sales, by capable of selling group products

Clear co-ordination between business locations - a strategy recognised by all units

Increase importance of developing industry products. Cross selling and upselling become part of culture.

Group B

Present:

Define marketing - what we are going to sell

who will we target

why, where and how to do it

Identified some of the problems - in particular London/Guernsey felt there was no one responsible or dedicated to marketing, no team or committee in place. No consistent advertising policy

Bahamas have and

London/Guernsey felt they needed a marketer, someone who has power, who will be given a budget.

Training - understanding and selling the business. Done on an ad hoc basis. Need to receive adequate training for people who are dealing 1:1 with the prospect clients

Cross selling an issue - in particular for new business in diverse areas. How the group can work better as a team, introduce clients to other offices, integrate services.

In Bahamas time zone, South and North America, market name is not well known. Have to work much harder to be known and be visible. Need to add to the work of the brochure.

CONCLUSION - has to be clear about its long term vision in terms of developing its client base.

Group C

Presenter:

It is definitely something the discussion group cared about. Need to raise our name recognition in all of the geographical locations in which we operate.

Need to promote brand, logo in areas where we operate.

Do not wish to employ a new expert. Want to draw people from their existing jobs to do more marketing - committee of 4 people + Bahamas on conference calls

2 x London - Investment and Banking

1 x Guernsey

1 x Financial Dynamics

Give committee a budget

Tell Financial Dynamics what we want them to do in terms of advertising, other promotions, trade stands, exhibitions.

Have publications ready in advance. Discuss with which newspapers, publications, sectors. Use their expertise.

+ draw on our knowledge of our customer base to ensure work in the most appropriate directions.

More co-ordinated and professional approach to advertising, control, use expertise.

Make more selective use of the IFA market. Use them more, bearing in mind their own profit motives.

Make more use of Freepost facility - working well in London, give more name recognition.

Many of our best business successes have been opportunistic.

Use marketing to achieve consistency across the board from our products.

Group D
Presenter:

a) Staffing

we could quite easily identify the staff that have client contact and those that do not. Bring in training for those that do, others will pick up a similar culture - greater general awareness of client culture.

Staff training - those in touch with clients at various levels need different levels of knowledge about the products.

Conflict between line responsibility and making time for selling. Have to commit to a marketing exercise - say a week of marketing - plan proactively

How do you monitor marketing? - not sure if control of marketing is different from other functions. Line managers have responsibility for developing new and controlling existing business.

+ someone from a staff function to take a general overview.

Are there people in your department who are better than others at marketing? Consensus was no, not really

Would you trust your colleagues to see intermediaries that you normally deal with - consensus was yes.

b) Customers

Use PERETO ratio - analyse customer base, keep in touch with clients come to end of loans or other projects, use entry products to get someone on the books and cross sell them.

Carry out annual review of the files for marketing opportunities

Budget to maintain resource, allocate resources.

c) Intermediaries

Could easily bring in a database for intermediaries - make this priority database. Would probably maintain it as we have a vested interest.

Use as a tool when planning marketing activities.

d) Communication

If we have an effective E-mail communication would be much easier. Also gives evidence of instructions. Takes no time.

e) Advertising/PR

Need a budget.

Strive to get more editorial

Speaking at conferences.

CONSENSUS THAT WE NEED TO CREATE A RESOURCE

How will it function?

What problems will it face?

SESSION 4

Discuss marketing - look at mandate, activity/responsibility, resources/budget

Group C

Presenter:

Mandate - 1 person - - role to be advisor, counsellor, coach. Responsible for co-ordinating marketing effort.

Identify people to do more marketing than they currently do.

Set aside time specifically for marketing.

Line managers decide who is best suited.

Budget at departmental level for specific products, + central budget for group wide marketing.

Activity - 2 levels.

reporting to

Individual marketers reporting to line managers

Annual plan created by marketing person, quarterly report including feedback and identifying budgets.

Marketer would probably need assistance - a finisher.

Responsible for the database, keeping database up to date, chasing individual marketers, ensuring two people within organisation are not chasing the same client.

Group A

Presenter:

The marketing "thing" - the Ministry of Revenue Procurement

Separate from sales

Objective is to enhance profitability of the group.

Mandate - to co-ordinate and develop the marketing strategy.

Activity - reports to board.

cannot impose its will on departments, should be guiding and highlight targets within overall strategy

Responsibility for advertising and PR for the whole group.

Targets markets and motivates individual teams within individual departments.

Analyses database, information for database provided by individual departments.

Resources - need time to do this.

Budget - analyse the existing budget, fix a ceiling, analyse the impact of marketing.

Marketing needs support, is very important to the group. Should stretch our wings, take a flyer on the budget, spend a little to achieve results.

The body - AD type role rather than Director. Body of ADs, chaired by would take the best minutes.

secretary - he

involvement - their noses are closest to the business in many ways.

Group D
Presenter:

Separate the marketing function from sales.

SALES - much easier to deal with - mandate remains with the director of the department. Allocation of resources and responsibilities from the line manager, through director up to the board.

Need more resources for selling, free up a bit of time, line manager needs more support - maybe some junior support.

Additional personnel, training to hone what they are aiming at and to make sure it is effective.

MARKETING - Promotion of ' via products and services, gaining a proper understanding of the markets in which we operate.

1 person, existing, from within the organisation - '.

acts as a focus for product ideas, co-ordination, market ideas from feedback.
reports directly to

Resources - call on line managers, better communication through that forum.

Budget allocated as the function builds. How much do you want to promote the bank, do we do it through advertising or through products against departmental budgets.

Group B
Presenter:

Sales and marketing - 2 different functions.

SALES - common agreement that sales time should lie with existing staff. Need to free up their time by taking on additional support, allocating specific time to sales. All experts in their fields, but need time and training to achieve successful sales.

Activity remains within the departments.

Resources to be determined departmentally

Keep ownership within the departments.

MARKETING - Considered - - decided no.

Function should know its strategic targets, should have a group role co-ordinating making decisions on what products are attractive, who whom they would be attractive.

Think an individual taking responsibility is the right way to go, accountable to the board.

Marketing person there to provide input and assistance to the sales people.

Dedicated full time employee in that role - consider internal candidates.

CONCLUSION

AGREED TO ESTABLISH A WORKING PARTY, TO COMPRISE

Chair

ADs nominated by directors of banking, investment and Guernsey - 1 each.
Nominations and first meeting to take place by end of September.
Proposal completed by 31st December 1997.

Mandate of working party: to define the mandate of the marketing function.
e.g.

Identify specific jobs that need to be done

Identify the support and resources needed for the longer term.

SESSION 5

DISCUSS PRODUCT DEVELOPMENT

Not looking at specific product ideas

Consider how we are going to go about identifying what those products are

Should products be departmentalised

Group D

Presenter: [Name]

Group felt very strongly that product development should be done in house.

Believes linkage between departments in London is quite good, not necessarily that strong with other offices.

Product development is currently a bit departmentalised.

Bahamas - [Name] explained nature of Bahamas business to the working group, huge interest in mutual funds.

[Name] could have potential in Bahamas. Also some Bahamian clients could create an investment portfolio but this is a big jump from deposit client to investment portfolio - takes a lot of work to achieve the psychology.

Guernsey - [Name] felt [Name] had a lot of potential.

Andy felt the way forward in Guernsey is to look for clients with comparatively high net worth, create a straight investment portfolio and scope for other investment products.

Banking products - London and Guernsey. General feeling that we have a good range, highly competitive market, have to keep up with the action, very much [Name] strategy to remain very competitive, and to facilitate other areas to benefit from the deposit base.

Investment London - have had considerable benefit from the banking products. Still working on [Name]

[Name] also has scope for development.

Generally felt that communication could be enhanced and that literature used has made significant advances during 1997, but has more scope for improvement.

In summary, do not want to sound complacent, but not aware of any yawning gaps, but need to keep products under close review. Some feeling that from time to time we need a proper brainstorming session.

Group B

Presenter:

Identify the needs:

Need to develop entry level products, target clients, increase the bank's profile.

Need for a good product base

Need for longer term products.

Cross functional products - had one that operated with limited success and used a lot of resource.

Products should have direct links to the group strategy.

Important to decide what we do not want to develop - what are bad products.

Products ought to be cheap and easy to deliver, kept simple to have the maximum impact.

Try and make products a whole service, not labour and resource intensive.

Discussed the use of outside contracting, felt we could lose control

In summary - need clear direction from the Group in planning products.
 products should not be too complicated
 need departmental integration
 need at least general advice, preferably group approval at board level on new products.

Group C

Presenter:

Felt that new products should mainly be developed in response to market requirements - clients suggestions.

Also consider suggestions from staff.

A potential new product was found by accident because of a service done for a client which could have been developed for others.

Spy on competitors. Identify what we might be able to use, what would help us compete.

... felt that a when new product was suggested within a department, it ought to be discussed informally at director level to ensure all departments had an input. Then put to the board.

Look again at specific client situations - sometimes we can identify particular needs for certain clients, might be worth doing for high value client.

Look at new markets further afield that might be worth developing, possibly using our existing products, making sure we are covering every area in which we could do business.

Group A
Presenter:

Purpose of the product is all important - consider strategy - producing products for liquidity
consider opportunities where we can do something to make
money because there is a need in the market.

Design - ideas from departments, possibly external ideas for distribution, marketing, maybe use external
expertise.

Implementation - how do we promote products - maybe have to sell harder than in the past - involve the
marketing function.

Keep a library of competitors products- marketing function

Develop products on cross departmental basis, London/Guernsey co-ordination definitely needed,
particularly in product development. Need to work more closely together.

There should be room for a review of the existing products, for enhancements and rationalisation or
elimination of some products.

COMMON ISSUES:

BRAINSTORM ON PRODUCTS
USE THE MARKETING FUNCTION
DISCUSSION OF NEW PRODUCT IDEAS AT DIRECTOR LEVEL

NEXT ISSUE:

How do we take this forward?

e.g. who is going to look at concept of new products.

Need for assessment of risk

Agreed new products do not have a forum for approval - this would ensure information is disseminated
- cross departmental information sharing.

Agreement that the marketing working party should also consider the issue of cross departmental
product development, and to consider a forum for discussion and development of ideas.

FEEDBACK ON SATURDAY

There was general consensus on how we should be moving forward, with different views on implementation.

It is good to work to conclusions and identify how we would develop from here.

Good ideas coming out

Would not have been effective with just two people sitting and discussing

Like the intention to involve ADs more

Lack of communication is not through lack of willingness, but rather through lack of a forum

Very important that ADs have input after this weekend, that it does not stop, continue to be involved in strategy

Very informative experience, going through the process of accepting other ideas and points of view, presenting coherent results, getting consensus.

Only forum attended where everyone has made a contribution.

“Can do” group, very few “motherhood” statements.

Addressed how we are going to achieve things much faster than normal.

SESSION 6

STRATEGY

- essential to define where we are and where we are going, before we can determine how to get there.

Need a strategy statement, then we can start to look at how we reach it.

Individuals within the organisation need to know what the statement is to enable them to identify targets specifically aimed at achieving the strategy.

Need to the statement to be flexible.

Groups to look at the statement of strategy as drafted by ... identify amendments, additions, subtractions.

Group A

Presenter:

OUR AIM IS TO DEVELOP A *PROFITABLE INTERNATIONAL PRIVATE BANKING BUSINESS* WITH A SUBSTANTIAL CLIENT BASE AND A REPUTATION FOR *HIGH QUALITY, PERSONALISED SERVICE*.

THIS WILL BE ACHIEVED BY FOCUSING ON BANKING, INVESTMENT MANAGEMENT AND TRUST SERVICES FOR INDIVIDUALS AND THEIR BUSINESSES; BY EMPLOYING THE *RIGHT PEOPLE* AND BUILDING A STRONG TEAM CULTURE; BY UTILISING EFFICIENT SYSTEMS AND EXERCISING EFFECTIVE CONTROLS; AND THROUGH THE *SPECIFIC* MARKETING OF A *SELECTED* RANGE OF PRODUCTS.

Group B

Presenter:

OUR AIM IS TO DEVELOP A VALUABLE PRIVATE BANKING BUSINESS BY DEVELOPING A SUBSTANTIAL CLIENT BASE AND *BY* HAVING THE HIGHEST INTERNATIONAL REPUTATION.

THIS WILL BE ACHIEVED BY FOCUSING ON BANKING, INVESTMENT MANAGEMENT AND TRUST AND *ADMINISTRATION* SERVICES; BY EMPLOYING THE BEST PEOPLE AND BUILDING A *CULTURE OF CO-OPERATION AND PROFESSIONALISM*; BY THE *DILIGENT* MARKETING OF A RANGE OF ATTRACTIVE PRODUCTS *AND SERVICES*; AND BY HAVING EFFICIENT SYSTEMS AND *EFFECTIVE* CONTROLS.

Group C

Presenter:

OUR AIM IS TO DEVELOP A *SUCCESSFUL PRIVATE BANKING BUSINESS* BY BUILDING A *STRONG* CLIENT BASE AND HAVING A *HIGH* REPUTATION *IN OUR VARIOUS LOCATIONS*.

THIS WILL BE ACHIEVED BY FOCUSING ON *INTEGRATED* BANKING, INVESTMENT MANAGEMENT AND TRUST SERVICES/////; BY EMPLOYING THE BEST PEOPLE AND BUILDING A STRONG CO-OPERATIVE TEAM CULTURE; BY *UTILISING THE LATEST TECHNOLOGY* AND EXERCISING STRONG CONTROLS; AND THROUGH THE EFFECTIVE MARKETING OF A BROAD RANGE OF ATTRACTIVE *PRODUCTS WITH A STRONG EMPHASIS ON HIGH QUALITY SERVICE PROVISION*.

Group D
Presenter:

OUR AIM IS TO *CONTINUE* TO DEVELOP A *DISTINCT* PRIVATE BANKING BUSINESS
OFFERING HIGH LEVELS OF CLIENT SERVICES AND RESPONSIVENESS TO CLIENT NEEDS.

*WE WILL FOCUS ON SELLING BANKING, INVESTMENT MANAGEMENT AND TRUST
SERVICES ON AN INTERNATIONAL BASIS. TO DO THIS WE SHALL RECRUIT AND RETAIN
APPROPRIATE STAFF AND WILL MOTIVATE THEM TO STAY. WE WILL WORK IN A CO-
OPERATIVE MANNER WITHIN A WELL CONTROLLED ENVIRONMENT.*

*THROUGH THIS WE WILL BUILD A VALUABLE BUSINESS FOR SHAREHOLDERS BY THE
CAREFUL MANAGEMENT OF BUSINESS DEVELOPMENT AND PROFITABILITY.*

DISCUSSION

Clarification of use of "valuable" in original draft.

Clarification of international issues

First paragraph agreed

OUR AIM IS TO DEVELOP A VALUABLE INTERNATIONAL PRIVATE BANKING BUSINESS
WITH A SUBSTANTIAL CLIENT BASE AND WITH THE HIGHEST REPUTATION.

to redraft the statement weaving in the issues raised in the four presentations and subsequent discussion.

SESSION 8

Identify the target areas which we need to address in order to achieve this strategy.

Group A

Presenter: J

We should most fully exploit the potential of existing clients, particularly 40 Day Notice clients.

Investment Management

Increase the funds under management in the Investment Department by 10% within 18 months - end of financial year 98/99. We need new money coming in.

Should actively promote the *Investment Department* as an offshore fund. Target to unitise the *Investment Department* by 31 March 1998.

Develop charity and pension fund accounts of the size which we are used to handling.

Work with *Investment Department* to sell a package to the charity funds.

Create a simple product.

Develop a performance measurement standard suitable for those accounts.

Trust

Broaden the market through which sales are made - become more international

Endeavour to find a way of rewarding the intermediaries/accounts for giving us business, by giving business back to them in a fair and even manner, to promote the relationships.

Increase fee income by 10% by end of financial year 98/99

Banking

Develop the sale of FX services through the Group

Continue to build a deposit base but seek to enhance the margins where possible unless it will adversely affect the building of the deposit

I.T.

Most be sorted out. To ensure everything else develops we need a good I.T. system and backing.

Group B
Presenter:

Return on Capital should be principle measure of success, not share price.

Shareholders could achieve a risk free return in excess of 7% - we need to aim higher. Target 15% Return on Capital within 5 years.

Investment

Funds under management most important part of the Bank in terms of growth. That is where we need the push, good quality income. Currently £0.5B Target £2B under management within 5 years. Approximately 1% margin. Gross income £20M.

. - How fast does growth have to be?

Banking

Loan book now £88M - increase to £100M. 2% margin. 5 years net profit £1.5M

Deposit base now £300M. Target £0.5B. 0.25% margin . 5 years net profit £0.5M

Trust

Bahamas a growing business, currently at a loss. A valuable source of introductions. Target - not to make a loss and introduce lots of valuable clients.

NET PROFIT BEFORE FREE CAPITAL £4M

RETURN ON CAPITAL 15%+

GO FROM CURRENTLY 8/9% AND DEVELOP OVER 5 YEARS.

HOW DO WE ACHIEVE THAT?

CUSTOMER CARE - The Bloom Principle - pick up telephone on 3rd ring
 Customer visits
 Dealing with complaints
 Constant review of existing customers

SPECIFIC PRODUCTS DESIGN

Group D
Presenter:

Need to measure our improvement in return excluding what we can earn from the capital itself - look at the profit generated by the businesses we run.

Trust

Looking at Bahamas and Guernsey Trust combined - for end of financial year 99/2000 generate £2M per annum, profit attaching £400,000 in that year. 20% profit margin.

Investment

Grow funds under management - no constraints, no capital charge generated.

10-15% growth in funds under management per annum for 3 years on a Group basis.

Need to identify margin on funds under management. On new funds under management expect to earn a margin of 6.5%.

- that is a very realistic margin

Banking

Increase lending book by 10% per annum for 3 years.

That area has some liquidity and capital constraints, and large exposure constraints.

Target for longer term deposits - like Millennium Account.

Target to achieve an average length of deposit book so it can be used for lending.

We could do more loans, we are constrained by opportunity and run off of existing loans rather than other issues. Lengthening of deposit base is happening.

Group C
Presenter:

Looked at critical mass of the various parts of the business. Considered Return on Capital rather than share price.

Return on Capital best improved through organic growth rather than acquisition at this time.

Investment

Increasing margins, examining returns on cash deposits.

Gave to justify any increases in margins, by improving service, by training, by admin service and by I.T.

Banking

Build the balance sheet because it gives good signals to clients in all aspects of the business, but not forgetting reciprocity.

Improve statements and advices - overall give better value for money.

Cross selling.

FEEDBACK ON COMPLETION

Very good weekend. Presented again an opportunity for senior people to get together.

Some of the issues are now concrete and hopefully something will come out of it.

Quite a steep learning curve, about colleagues and the business areas.

Greater involvement of ADs moving forward a very positive and hopeful thing.

... - really learned a lot, invaluable experience. Can appreciate ... as a Group much better, better understanding of the business, have met a lot of talent in this room, can see common goals and unity in everyone wanting to see the Group move ahead. Made some very important points and hopefully Bahamas office will now be seen as a part of the team effort.

... CLOSE

Looked again at the purposes of the weekend.

To get to know each other - feel we know each other a great deal better.

Develop team work and a strong common culture - have been dealing with very knotty problems, have been able to deal with them very effectively and with agreement about how we are going to go forward in marketing, product development and strategy. Demonstrates strong team culture.

Iron out any misunderstandings - interesting and severe differences of opinion have come out and been aired and dealt with.

Develop and fast forward plans and appreciate our strengths - we have a mission to deal with the three important issues. The ability to do that was only created by using this weekend arrangement.

To have an interesting and enjoyable time - interesting, enjoyable and absolutely exhausting time.

I believe we have done what we came to do as far as the overall purpose of the strategy weekend is concerned.

A strong sense in the beginning that we wanted to end up with a concrete achievements - we have agreed:

- 1) To set up a working party chaired by ... including ... and three ADs, to develop a mechanism to co-ordinate and promote group marketing.
- 2) Same mechanism would be used as the forum to ensure full information flow and proper development of a product span across the group.
- 3) That mechanism has to have dedicated resources
- 4) These issues would be dealt with by the end of the year.

Also:

... will write a revised statement of group strategy for internal purposes.

The first paragraph has been agreed.

The rest of the statement will take into account the various comments made by the four groups.

To be complete by end of October 1997

As part of that we need to articulate what is meant by value.

It is interesting looking at the two weekends and speculating on what the next one will look like.

We started last year with a rather unspecific aim. Now tightened up and tightened up some of the mechanisms that will help us achieve it.

NOW we are talking about other departments - looking for very big growth
own departments - very little growth

It shows there is a discontinuity between our sense of how fast we need to grow and the reality of achieving that within departments.

Between now and next time -

- have to get to grips with how fast we have to grow.

- will create a business plan and identify required Return on Capital

- then have to continue to achieve that Return on Capital.

- determine how fast the business has to grow and what we need to do to achieve that growth.

Next time we meet - within one year - it will be about identifying what changes we have to make to the organisation to be able to grow quickly enough.

Strategy Weekend

Saturday 26th September 1998

Colin Smart presented a review of decisions made at last year's Strategy weekend, and progress during the year.

Decisions were made to:

- 1) Set up Group Marketing Forum – the committee met very soon after the last Weekend.
Began to put marketing into practice. Needed resource. Believe it has been successful in its aims.
- 2) To have a specific marketing resource – was slow in arriving, but AA now with us

PR has improved considerably particularly within UK.
Still working on a stock advertisement.
Have run two very successful seminars
Other seminars on the horizon.
Forum is now beginning to co-ordinate product development.
Group Gold Card on the back burner.
Have begun to put resources into research and products.
Currently discussing Group database.

Criticisms:

Failed to properly disseminate information within the Group – need a flow of information from the Marketing committee and back to the committee.

Summary:

Fell it is a worthwhile move in the right direction.

Discussions of lessons to be learned for the future:

CS – we now have the resource we lack. Product X needed resource. Some of the other issues are starting to move ahead.

RC – What is the mandate of the forum?

CS – Primarily to discuss ideas, identify which are worth pursuing, identify a resource to move them forward. Information flow and correct resource very important.

JR – Does the forum have authority to make decisions about which products will be developed? Where is the influence from back office?

CS – Yes, it does have that authority. Have not yet taken any projects forward to conclusion but will be able to now we have the resource. CS sponsoring first major product – Gold card. Expect to see results in 2-3 months time. Timetable will be circulated.

JB – need input from other departments

SC – are you happy with the composition of the committee? Should it be alternated? Should it collect ideas before the meetings to disseminate information afterwards?

CS – Should have a stable membership. Should be more information flow.

SC – do people have enough time to do it properly?

CS – they have time for the input. Involvement in projects will need AA's support.

JC – all marketing ideas have to be accepted by the relevant departments. We have not devolved marketing responsibility to the marketing committee – should come up with our own ideas and feed to the committee and various departments.

SC – our sources of business are very good. Start up of the database was poor. Is the database top of the list?

CS – one of AA's current projects is the improvement of the database. She is designing a questionnaire to assist with improving, managing and maintaining the database.

RC – is your role in sponsoring the Gold cart continent on being a member of the forum?

PS – membership of the forum is flexible – MB for enterprise account.

PB/CS/JP – individuals should attend the forum as required to sponsor and promote their ideas.

SC – conference call in the other locations.

CS – Guernsey attend, + JB whenever possible.

JB – marketing committee now has a good administrator. Now needs to decide how to disseminate information.

SC – two seminars were a great success. Needs plans to follow them up.

CS – Bank seminar not specifically followed up. Have opened some bank accounts.

Budget seminar – another to be run next March.

Also considering a seminar on property lending for lawyers, surveyors

RC – would like more narrative style of minutes.

CW – particularly useful for non-members.

PB – non-members need to know dates for next meeting.

PF – what about areas of the bank that are not represented on the committee?

AG – need wider flow of information, more detail in the minutes.

JC – identify topics in the minutes that are interested – follow them up. We know that it is not happening at present.

JS – more detail in the minutes would help.

CS – we can address that.

AC presentation

SC – is it your expectation that we achieve these targets with the present 3 operations and types of business, or by growth or acquisition?

AC – through the present arrangement. No expectation that we will take on acquisitions or other lines of business at present. Until we are achieving our targets we cannot justify new lines of business.

PB – I believe we have been relatively cautious. Maybe not so profitable because of that. Need a balance between caution and profit. Committed to profit. Concerned about effects of the recession. 14% growth in revenue – if we try and over-expand going into recession we could make less profit.

AC – believe growth targets require us just to do what we do, and do it well. Sources of business which could be developed. Believe we could get revenue growth from tapping into what is around us. It will not be a straight line 14%. You can have a good recession and come out stronger than competitors.

CS – we might be better placed to exploit a recession than others are.

PS – how many people in employment in 2004?

AC – have presented a very simple model. If we hire more people they must deliver revenue growth. Need to look at organic growth. Possibly too small now – need a little spare, extra resource. Spend time on development. Maybe a 20%-30% growth in people. Best way to develop is to identify a model to produce return on capital with smallest number of people.

JC – Do you accept that different areas of the business are at different stages in their development, therefore growth rate across the group will vary?

AC – I agree. Emphasised the importance of revenue growth around the group.

JR – We could increase profits by reducing costs. Do you feel we can do what we are doing more efficiently?

AC – I believe we will see expenses grow 7.5% - 8.5%. Do not believe it will be reasonable long term to expect them not to grow. Have to concentrate on revenue growth.

SC – We manage our costs better than any other organisation I have been in. We do not manage our top line very well. If we partners with no salary but sharing of the profits, this weekend would be very different. We are not hungry enough.

AC – I agree. In order to achieve this we have to give up some comfort. Look at customer – we need to make more money from them. Not comfortable – putting the price up is very uncomfortable.

RM – It can lead to less business

AC – The skill is in dealing with that issue. Every person in the organisation has responsibility to keep the customers coming in and optimising revenue from them – not just putting the price up. Combination of performance, customer service, quality of product.

JC – Sense is that profitability is getting more customers through the door. Deposit base is ready to move towards higher profits. In some areas need more time and resource to increase the amount of business.

PB – Can fall into a cosy relationship, and forget to follow up opportunities to get more business from the client – should be taking those opportunities.

AC – The presentation was not a to do list. Simply identifying the issue. We have to find the solution.

Want you to have a sense of urgency over this. 2004 will come quickly. We have to find the solution.

We need to succeed – I believe success is about profit.

Need to get our minds around what we have to do to get the profits in.

RC – Will we be talking about incentives and how to become a stakeholder in the business?

AC – ROC of 6% leaves the staff with nothing. This is not therefore about incentives. This is about how we practically do this.

- 11.30 In Groups:**
- a) What are the implications of Arthur's presentation?
 - b) What does it mean that Arthur has left the room?

Table 1

- a)
 - Urgency and necessity of profit growth – has to be the focus of everyone in the organisation going forward
 - Better use of resources
 - Contacts
 - Customers
 - Skills of staff
 - Internal staff relationships
 - Customer focussed – retaining, communicating with, attracting.
 - Prioritising customer service.
 - Staff motivation – getting people to buy in to ideas in order to achieve share growth and higher bonuses on the way. Have to be less comfortable in the way we run the business. Not always easy.
- b) Main implication of AC leaving the room – IT IS UP TO US if the organisation is going to succeed.

Table 2

- a)
 - 1) Responsibility – lies with us to drive through profitability. With it comes activity.
 - 2) Commitment – you have to believe in the purpose of it.
 - 3) Introspection – need a period of introspection to achieve that.
 - 4) Initiative – examining what we are doing, initiative for growing the business.
 - 5) Innovation – new products.
 - 6) Communication – Group exercise, need to communicate group wide/departmentally.
 - 7) Confidence – AC very confident that we can achieve this.
 - 8) £20 per share by 2004 – we will all need to work hard for that.

Table 3

- a)
 - 1) Shareholder impatience
 - Need to change behaviour immediately
 - 2) Better cross selling
 - More PM products sold
 - Interdepartmental understanding of products, and co-operation
 - 3) Profits increased by:
 - Recruiting more customers
 - Higher charges (mixed views)
 - 4) Internal charging culture (charge for all services)
 - 5) Less time spent on non-revenue generating activities
 - 6) Coming out of the comfort zone

Table 4

- a)

Pleased with what was said	focus on profit was welcome clear target to achieve
Concerns	Have we got the right structure Can we keep the good staff – reward, career structures.

Culture issues

Client service, each other – both very
'nice' – should it be so

Communication issues

Important. Wider access

- b) Has Arthur left to allow us to speak more freely – is that true – is that desirable. To achieve targets – you cannot have responsibility without authority. There has to be some devolving of power within the organisation. Do we have empowerment?

JW – What does all this mean in practice?

MH – What are the implications of not achieving those targets?

People leave

Shareholder dissatisfaction – sale of Bank – bye bye PM

CM – is it negotiable? – no

AC leaving the room – not a dumping of responsibility but a statement that the expertise and answers lie here. He will always be a resource, but the action planning, doing, delivering is here.

Day 1 of AC's vision starts here.

Sunday 9.00 am

Power and Responsibility – What stops you feeling the passion?

JB: NEDs are a waste of time and energy. There is a huge paper waste in the organisation.

PT – is AC really serious about change?

JR – there was a huge change when SC and PS came in – that lasted for 3 months – now it's back to where it was.

PB – AC may want to devolve things, but do the people above him want to? – is he restrained?

PS – Share holdings – there is no structure in place which will reward people who work hard.

MH – Accountability – if you sign off a project on time, you get a bonus, if not, you lose it, and you are held accountable.

PS – There's a grey area below AD level, a huge gap. How do people get an idea that there is somewhere for them to go? We will lose our good young people. The need shares and a structure. The shareholders should dilute their share in the business in order to allow staff in. I don't care whether already hugely wealthy people make more, I do care about us, and about all our staff who are good and work hard.

PB – AC is very keen to make a profit, but he is part of the culture of caution.

JC – we took on 2,000 new clients – that is progress.

JP – 2,000 new clients is worthless if we don't convert them.

PF – Did we plan ahead for those new clients – we have to learn from that

SC – Is there a lack of initiative/motivation – why hasn't the conversion happened?

CM – You have been told that the resources are there to 'do' what needs doing – why was nothing done?

JE – Because JC was not convinced that is the way to spend.

PF – that's back to power.

JC – I'm faced with choices – do I spend 20 thousand on a new staff member, or do we carry on as we are. There are constraints – profit from banking has been invested in other areas of the bank, I'm not able to invest banking profits in the infrastructure of the banking department.

CS – I need to take ownership of the 2,000 clients and start processing them.

SC – why do meetings in this bank start at 9.00 am – in other places they start at 5.00 pm and they go on until something is sorted out. Can't we set up a group to look at strategic issues.

AC – You talk about devolution of power – you can't devolve into a vacuum – you don't take it up.

MH – If people don't deliver they have to be accountable to Arthur.

AC – That won't get anywhere – THIS group needs to make it clear to the person doing the task they will get the task done. Create a mechanism.

SC – Create a vehicle to do it.

Meeting went into groups to plan the setting up of a vehicle.

10.25

Group 1

Mgmt group comprising representatives from each function

- Task:
1. Communication
 2. Responsibility for delivering actions which lead to a 20% capital return

Group 2

An inner circle consisting of Arthur and senior management, with flexible membership from an outer circle made up of four sections: Banking, Investment Management, Guernsey, Bahamas

Group 3 –

Agree with Mgmt idea, but with separate responsibility for departmental projects being held by departments

Group 4

Harold felt that these ideas were very unfocussed, and wanted decisions on attendees, agenda, frequency of meetings.

James said that there had to be a mechanism to allow a person with an idea to attend the meeting

Into groups to firm up on these propositions

Group 4

Call it the Revenue Committee

Agenda – Generating projects with focus on profitability

Frequency – Weekly to start, maybe move on monthly

Membership -	Chair	Sean
	Banking	Jonathan Early
	Treasury	James
	Investments	Peter or Morris
	IT	Paul
	Operations	Edward
	Guernsey	Colin
	Bahamas	James B

Group 3

As above, location by location, otherwise it doesn't involve the wider body of staff.

Weekly is too frequent. Peter B thought Trust should be included, not necessarily Guernsey.

Group 2

Call it the Profit Committee

Should be group wide

Group 1

Mission Statement

"To implement strategic direction by taking collective responsibility for delivering revenue related projects by effective prioritisation of resources and effective communication on a group wide basis."

Final agreement

Profit Committee

Adopt the mission statement

Review after three months – 31st December 1998

Membership

Chair	Sean	
Secretary	Alison	
Banking	Ralph (credit)	
	Colin (deposit)	
Treasury	James	
Investments	Gareth and Morris	
Operations	Edward	
IT	Paul	
Plus	Peter	
Guernsey	Michael	(by conference call)
Bahamas	Derek	(by conference call)

First meeting – Thursday October 1st 1998. 5.00 pm

Why Profitability?

Self determination (independence)

1. We are currently protected by the structure of shareholders, in particular HR
2. HR age – he will retire at 70, and will not want to hold a large block of shares after that date.
3. Self determination comes from a perception that we are valuable (an expensive share price?). Which means that any buyer has to pay a substantial amount of goodwill. They will only pay substantial amounts of goodwill if they have the agreement of management.
4. The existing shareholder structure will be stable as long as we are seen to be making sufficient progress.

Valuable means (see strategic statement)

1. High profits, fashionable business and high PER.
2. High profits means high return on capital.
3. Private banking is fashionable.
4. High PER means consistent growth and high quality of earnings.

Return on capital

1. PM pre-tax return on equity in the March 1998 year was 6.8%.
2. Our pre-tax return on equity should be 20%. This comes from comparative return on equity with other successful financial services companies.
3. We have to achieve this be consistent growth (see high PER).
4. We have to achieve this within a reasonable length of time.

Timetable

1. We must have achieved this return on capital in the year ending March 2004.
2. Why? Because HR will be 70 then, and our current shareholder protection may run out.

What do we have to do to do this?

1. Operating income must grow about 6% faster than operating expenditure i.e.

	Low Investment	High Investment
Operating income growth p.a.	12.5%	14.0%
Operating expenditure growth p.a.	6.5%	8.5%

2. Our three year budgets show the following for the next three years:

Operating income growth p.a.	14.0%
Operating expenditure growth p.a.	8.3%

3. So we are on track to achieve the high investment model, however, we must achieve these income growth targets.
4. Is low investment an option if we do not achieve our income targets?

Low investment is not a sensible option

1. In order to compete, we have to invest:-
 - a. Excellent staff
 - b. Training
 - c. Computer systems
 - d. Premises
2. If we grow we have to reward our staff:-
 - a. Bonuses/incentives
 - b. Salaries/benefits
3. The costs of being in this business will also rise
 - a. Regulatory costs
4. We need to grow quickly to maintain the morale.

We need to invest well and be efficient and careful

1. In order to ensure that this investment is used to grow the business, we need to ensure that we operate as efficiently as possible:-
 - a. Operate using efficient systems
 - b. Make the most out of each of our staff
 - c. Work well together to share resources and achieve economies of scale
 - d. Watch the pennies!
2. We cannot afford to make mistakes, as this will reduce the perceived quality of our business (reduce our PER), and reduce our confidence.
 - a. Build very strong discipline
 - b. Build very strong control structures
 - c. Ensure accountability

So how do we grow our income?

1. Keep our clients
2. Get more clients
3. Make more money from our existing clients
4. Client growth must be in all areas, and must take into account the following:-
 - a. Natural client turnover death/decay
 - b. Growth in capital intensive activities may be restricted by the availability of capital, and may therefore grow more slowly than average.
 - c. So non capital intensive activities must grow more quickly than the average.

Keep our clients

1. Maintain and increase service levels
2. Maintain and improve our administration
3. Maintain and improve our performance

Grow our clients

1. Maintain and build the attractiveness of our offer
 - a. Performance
 - b. Specification
 - c. Service/delivery
2. Increase the number of opportunities to pitch for business
 - a. Greater name awareness

- b. More discipline in managing our external relationships
 - c. Keeping in touch with our intermediaries
 - d. Getting existing clients to bring in their friends
 - e. Making better use of the existing contacts of the Group
 - f. Be more pushy
3. Increase our hit rate when we pitch for business
- a. Increase the quality of our presentation and selling skills
 - b. Well organised follow through
 - c. Be more pushy

Make more money from our existing clients

1. Price our services properly
- a. Be more aggressive in putting our prices up
2. Cross sell other services
- a. Gather more information about our clients in order to identify potential requirements
 - b. Actively set up opportunities to introduce the opportunity
 - c. Be more pushy

July 1998

PARVIN-MAY PRESS RELEASE - APPENDIX D

11th July 2000

Parvin-May PLC
Henry Simme, Group Chairman
Stephen Reading, Group Chief Executive

EMBARGOED UNTIL 7.30AM 11TH JULY 2000

PARVIN-MAY PLC

Parvin-May, the private banking group which provides banking, treasury, investment management and trust services to individuals and their businesses, announces:

Results For the Year Ended 31st March 2000

Highlights

- Pre-tax profits up 20% to £2.724 million (1999: £2.271 million)
- Earnings per share increased by 21% to 37.7p (1999: 31.1p)
- Final dividend increased from 16.5p to 17.0p, increasing the total dividend for the year to 22.5p per share (1999: 21.5p per share)
- Revenues up by 20% to £13.5 million due to continuing strong growth in private banking business
- Banking and treasury income up by 22%
- Investment management income up by 22%
- Trust revenues up by 24%

Henry Simme, group chairman, commented: "The positive results of our strategic decision five years ago to focus on private banking are now visible. These excellent results represent a further milestone in our plans to grow our private banking business and increase its value for shareholders."

GROUP CHAIRMAN'S STATEMENT

Results and dividend

The group's profit before tax for the year ended 31st March 2000 increased by 20% to £2,724,000. Earnings per share rose by 21% to 37.67p (1999 - 31.09p). The board proposes to raise the final dividend by 0.5p to 17.0p per share which, together with the increased interim dividend of 5.5p, brings the total dividend for the year to 22.5p (1999 - 21.5p). The board is committed to a progressive dividend policy, but is also aware of the need to improve the level of dividend cover thereby increasing capital retentions to fund the planned growth of the business.

Our business has made significant progress during the last financial year. Operating income grew by 20% with good performances from all areas of activity.

We have continued to invest in staff, systems and premises. During the year our average headcount rose by 10%, and our IT investment increased significantly. In total, our expenses also increased by 20%.

Balance sheet

Total customer deposits were slightly lower than last year as a small number of our larger clients held less cash at the balance sheet date. However, the combination of our high level of service and attractive interest rates resulted in a steady flow of new deposit clients. I am pleased once again to report that we have not had to make any provision this year for bad debts despite the growth in our loan book.

Premises

Since September 1999 we have been in our new offices. We have also expanded and improved our premises in the Bahamas. Through these moves we have significantly upgraded the quality of our office accommodation for the benefit of staff and clients. Our rental costs have increased and there were some significant non-recurring costs in London. However, we believe the improved working conditions will result in higher profitability.

Internet banking

We are aware of the importance of providing our clients with improved levels of service, including easier access to their accounts held with us. Accordingly, we are

planning to provide our clients with internet access to a wide range of our services during the current financial year.

Directors and staff

As a result of the continuing growth and development of our business, we have created a group executive committee that is responsible to the board for the day-to-day management and direction of the group. We have also promoted seven assistant directors to the board of Parvin-May Limited, which reflects the significant contribution made by them. During the year we were also pleased to welcome a new director of our Guernsey trust company.

The excellent results we are announcing today have resulted from the efforts of all our staff in London, Guernsey and the Bahamas. Despite many distractions, including premises moves, the year 2000 and a hurricane in the Bahamas, our staff were able to continue to develop our client base and grow our profits. On behalf of the board I would like to thank them all for their valuable contribution.

Prospects

The positive results of our strategic decision five years ago to focus on private banking are now visible. The financial services industry has now recognised that ours is a fast growing market. However, it is not possible to create an integrated private banking business overnight and, whilst we are small, we have the advantage of having a proven structure and culture which will allow us to make further progress in the future.

I hope that shareholders will share my pleasure at these results. They represent a milestone for our plans to continue our growth of revenues and profitability in a controlled and consistent manner in the years ahead.

Henry Simme
GROUP CHAIRMAN
10th July 2000

APPENDIX E

Selection of comments made by delegates attending the first two change management programmes (MITCE) run at the FCO in January/February 1996 under the discussion heading 'what inhibits development of the FCO?' sub-headings as indicated.

The change process

'For us change is not real - we still do the same things in the same way and still get told when to do them'

'The main thrust of any shift or change has been based on the power of the Ambassador - if he does not want it does not happen'

'We get too much change in the way we are expected to deliver savings adopt new processes - we do not get the chance to come through the other side'

Staff

'Performance related pay is the worst possible thing that could have happened to the FCO'

'We are told that even exceptional staff cannot be given more than a box 2 (appraisal system based upon highest grade at 1 and lowest at 4) because the office cannot afford it'

'No one gives a box 4 for poor performance it is easier to give a box 3 and get them posted'

'The system penalises managers who try and deal with poor performance - you end up having to spend weeks justifying it - so it rarely happens'

'We cannot get rid of anyone who under performs'

'The senior diplomats find ways of giving each other box 1 scores'

Management

'You can only really make a comment if you know the manager well otherwise people tend to say very little when they disagree'

'It is the senior staff who need to know what change management is about'

'A new [government] paper comes out and we change the names then spend 2 years writing about it then change back to what we were doing when the heat is off - that is how we manage'

'[Richard] Branson wouldn't take the PUS job but that is what we need - someone who can see beyond Whitehall'

'Senior staff will not let managers take on new behaviours'

Skills

'Business units have been set up but we do not know how to charge each other - let alone how to run a business'

'Budgets get set and monitored - we record everything but do not know what to do with it'

'We need to acquire new skills but more importantly be allowed to use them'

Direction

'There is a general lack of communication, we do not know what is expected or why'

'We do not know what they expect'

'Everything is on a need to know basis'

'We seem caught by tradition and image'

'This is an organisation where I can think I don't really know whether I know what I've been told because I don't know if I am *supposed* to know'

'We cannot identify success until we have achieved it and someone at the top says it's okay so most stay as they are, it's safer'

'Leadership in the FCO is an oxymoron'

Selection of comments made by delegates attending the last two change management programmes (MITCE) run at the FCO in November 1998 under the discussion heading 'what inhibits development of the FCO?' sub-headings as indicated.

The change process

'We have had loads of change but nothing has changed'

'We are expected to take on change for the sake of change - it is a game to them'

'Change what you want but you will not change us, that's the message from on high'

'If you want to understand change in the FCO? Look no further than 'Yes Minister' (a British TV sitcom based on the Civil Service) Ministers can say what they want and we let them - it does not mean anything here is going to change'

'We are not like organisations outside (the Civil Service) so we do not play by their rules - maybe we should look harder at what they do'

'We still have to ensure that papers going to the Chief Clerk or PUS are drafted on the correct colour paper, it has taken a 2 year debate to decide if that can be changed and it has not - so much for change'

'Communication is very traditional - if you send an email, firstly most refuse to use any form of technology so it may not get read - if it is read it has to be perfectly drafted and authorised by line management so it is no quicker'

Staff

'The selection process for promotion is all done on paper - the choice of posts is done on paper so there is very little real involvement with those involved'

'The range of options for managers is limited - your tour is up and you have to bid for the few posts that are out there - often as not you do not want it and neither are you any good at it but that's the system'

'The system is designed for the dips (diplomats) and fast streamers to do what they want'

'We now operate a competency based appraisal system - the trouble is if someone under performs all that happens is that they get sent on a training course. If that does not work they are moved and someone else can start again'

Management

'The whole attitude of senior staff is that there is a job to be done get on and do it - do not question why or suggest how'

'Senior staff do not encourage managers to be open and flexible so why should they?'

'You want to get on in management - build an empire but because we are the FCO do it diplomatically'

'Management is about power - power is about position and position is about status. At all costs manage in order to protect your status - if you know that you can get on really well'

'Great effort goes into making sure that departments communicate through the chain of command'

Skills

'The only skill that is really valued is that of diplomacy - nothing else matters, so nothing else is really valued - it shows'

'It is okay to be an engineer or communications expert - they can deal with that, give them a hostile foreign government or even better a war they are brilliant - they take centre stage. Try out their organisational skills or ask them to deal with people they fall apart - actually they don't because they find ways of not dealing these issues they ask people to write policy papers'

Direction

'There is a total lack of consultation so why should people just do what they are told?'

'You are never too sure where we are going certainly the PUS does not tell us'

'There always appears to be an ulterior motive behind where we say we are going and why - its back to the hidden agenda stuff'

'We certainly need to understand where we are heading'

1. KEY FINDINGS

the world and FCO in 2010

1. The FCO needs to market itself more effectively with other government departments
2. The FCO needs deeper expertise across the whole range of issues and countries
3. We still need a global network and a separate diplomatic service
4. We need to re-think the way we do objectives
5. Posts should be an integral part of the policy process
6. Geographical departments need to be re-engineered
7. The present division between departments on EU policy is about right
8. A separate study is needed on the worth of EU work done in bilateral posts

personnel

9. Our staff will need much greater flexibility in their careers than the FCO offers now
10. We need more flexibility in the retirement age
11. We need a step change in the programme of secondments in and out
12. We need much stronger and well-defined careers anchors
13. We need to identify and manage the skills the FCO needs more actively
14. We need to step up the amount of training and development we offer staff
15. We urgently need a pool of officers with strong resource management skills
16. We should keep the Board system to decide jobs
17. We should reduce the frequency of Boards to three or four a year
18. We should lengthen the lead-time for boarding home postings to a least six months
19. We should appoint an ombudsman for staff complaints
20. We should mix administration departments into both King Charles Street and OAB
21. Staff should increasingly be making their career choices for themselves
22. We will be under increasing pressure to shrink the size of Personnel Command
23. Personnel Command needs the right IT to manage staff and expertise properly
24. We should introduce 360 degree reporting
25. Support staff pay needs urgent attention
26. Performance pay should be a genuine bonus, de-linked from annual increment
27. Spouse employment will need to be continuously improved at the margin
28. The FCO will need to give long-standing partners the same rights as spouses

working practices & IT

29. The Board should include non-executive directors and two senior ambassadors
30. A Board secretary should be appointed to manage its business
31. We should appoint senior officials to lead teams for key issues and crises
32. We should set up teams to meet objectives shared beyond departmental boundaries

- 33. We should have a team of ear-marked fire-fighters who could be used in a crisis
- 34. We urgently need a unified IT system
- 35. We need to be connected with the rest of Whitehall
- 36. Compatible mobile IT – laptops and palmtops – should be available
- 37. A properly resourced FCO intranet would offer vast benefits
- 38. IT training needs to be stepped up, especially for systems administrators
- 39. Security has to be seen as an enabler rather than a block
- 40. Security will be easier and less frustrating when we use industry-standard IT
- 41. A system of flagged e-mails should be the standard form of in-house communication
- 42. We should introduce sensitivity markings below restricted
- 43. We need to move to fully electronic files
- 44. The FCO will need to offer much more in the way of flexible working for its staff
- 45. We need an FCO 'Yellow Pages' on the intranet giving details of all staff expertise
- 46. We should publish an in-hour foreign affairs publication
- 47. We will need much more open relations with stake-holders outside government
- 48. We should be encouraging officials to publish
- 49. We need better facilities for visitors and modern conference facility

customer focus

- 50. The public service departments need to be adequately funded and staffed
- 51. Heads of post should be visiting their consular and visa sections regularly
- 52. All new entrants should get experience of doing consular, visa & management work
- 53. All staff and contract staff dealing with the public should be trained in customer care
- 54. We should accept credit card payments for visa, commercial and consular services
- 55. We should have a comprehensive digital strategy for exploiting new technologies
- 56. We should look to develop call centres – for consular services and more widely
- 57. Our staff need real-time access to media and media monitoring services
- 58. We should give the Home Office responsibility for staffing ECO slots overseas

internal communication

- 59. Senior managers should spend much more time talking to staff
- 60. All posts and departments should spend time discussing key FCO issues
- 61. An internal communication unit should be established
- 62. We need to monitor how much internal communication staff have taken in
- 63. We should adopt an internal communication contract
- 64. Board members should take forward their individual Foresight areas

APPENDIX G

List of Values and Supporting Behaviours with positive and negative indicators taken from Sir Richard Wilson's Report to the Prime Minister on Civil Service reform - 'Setting the Agenda for the Civil Service of the Future'.

1. Act with integrity, propriety, and political impartiality, and select on merit

When we do this well, we...

- assist the current Administration whatever its political complexion
- respect the common standards and principles that bind us together as public servants
- comply with the law and uphold the administration of justice
- base our advice on objective analysis of the evidence
- use public money properly, effectively and efficiently
- use merit as the only measure for selection of applicants
- uphold the Civil Service Code

When we do this badly, we...

- misuse our official position or information acquired through it
- are negligent in spending public money
- allow our personal views to cloud our judgement
- frustrate the effective implementation of decisions by the Administration on policies and services
- betray the principles of public service

2. Put the public's interests first

When we do this well, we...

- know who our customers are and what their needs are
- put ourselves in their shoes
- give customers the quality of service that we would expect ourselves
- are courteous and helpful even when under pressure
- involve citizens in government, actively gathering their views as we develop policy and deliver services
- mediate when there are conflicting interests and find a way forward

When we do this badly, we...

- don't respond to what the public want from us

- focus on policy and procedure and the 'way things have always been done' rather than reaching an outcome that both we and the public will regard as success
- develop and deliver policy and services without listening to the public
- are rude, obstructive or unhelpful
- fail to publicise and live up to clear standards of service

3. Achieve results of high quality and good value

When we do this well, we...

- define a successful outcome and plan how we might achieve it
- take decisive action
- aim to achieve the best possible results
- think creatively
- anticipate problems and show drive and determination to overcome obstacles
- review performance and make improvements where possible
- celebrate success

When we do this badly, we...

- act before thinking things through
- lack focus and direction
- deliver poor, second-best results
- fail to deliver work on time or within budget
- rest on our laurels
- give up when the going gets tough
- don't encourage feedback or monitor performance

4. Show leadership and take personal responsibility

When we do this well, we...

- lead by example
- understand and communicate the bigger picture and our role within it
- work within our teams to generate enthusiasm, commitment and respect
- show drive and determination
- are prepared to challenge and to be challenged
- take action to improve things
- manage our time and organise our work effectively
- manage risk and accept responsibility
- look to the future

When we do this badly, we...

- focus on the short-term
- are blinkered and driven by our own priorities
- emphasise problems rather than look for solutions
- look for others to blame
- don't practise what we preach

5. Value the people we work with and their diversity

When we do this well, we...

- use people's talents and encourage them to develop their potential
- respect and support those around us
- involve others in our work
- give and encourage feedback
- listen to others' views and give credit where due
- trust others to do a good job
- encourage a healthy balance between work and home life
- understand and work with the different approaches different people may take
- actively promote equality of opportunity

When we do this badly, we...

- are unaware of or insensitive to the needs and feelings of others
- try to run the show ourselves

- demand rather than earn respect
- fail to make best use of people's talents and potential
- talk rather than listen
- view difference, change and challenge as a threat

6. Innovate and learn

When we do this well, we...

- see learning as part of life for everyone
- understand our own strengths and areas to develop
- develop our own skills throughout our careers
- are open to new ways of working and new ideas from whatever source
- look for and champion better ways of doing things
- take managed risks
- review performance, gather feedback, and learn lessons from mistakes and successes
- measure ourselves against the best
- share learning with others
- use information and communications technology to improve the way we work

When we do this badly, we...

- are closed to new possibilities and opportunities and shut down new ideas
- stay stuck in a rut and stick with what we know – 'We've always done it this way'
- don't recognise our own developmental needs
- don't value learning
- see training and development as something that is done to us
- move from task to task without review and so don't benefit from experience
- blame people for mistakes rather than learning lessons

7. Work in partnership

When we do this well, we...

- understand how everybody contributes to the shared goal
- share objectives

- work co-operatively with others to achieve the best possible outcome
- build and support networks
- use influencing and persuading skills to achieve objectives
- mediate conflicts to get to a win-win situation
- gain knowledge and experience of the world around us
- share good practice and solutions

When we do this badly, we...

- ignore others' interests
- fail to win respect and to be heard
- feather our own nest at the expense of others
- compromise to the lowest common denominator
- listen to the loudest rather than the truest voice
- keep information to ourselves

8. Be professional in all we do

When we do this well, we...

- implement policy and take decisions to reflect Ministers wishes
- get best value for money
- do the best possible job we can
- are honest, fair and impartial
- understand the wider impact of our decisions
- take time to think about our work and how we do it
- evaluate the effectiveness of our work
- measure ourselves against the best

When we do this badly, we...

- accept mediocre performance from ourselves and others
- base our decisions and advice on assumptions
- tell others what we think they want to hear
- ignore the bigger picture
- don't look to improve on the way we do things

9. Be open and communicate well

When we do this well, we...

- give people promptly and helpfully the information they are entitled to
- help people to understand government policies
- explain things clearly in plain English
- listen as well as talk
- are approachable and helpful
- show courtesy, sensitivity and tact
- persuade and influence others rather than telling them
- think about our audience
- think about the best way to get our message across, including making best use of information and communication technology

When we do this badly, we...

- keep information to ourselves without good reason
- use ways of communicating we are comfortable with rather than what would be best
- fail to grasp what others are trying to say
- are seen as rude, frosty, tactless, or aloof
- write or speak in more complicated language than is needed
are economical with the truth

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